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Rulers, Religion, and Riches: Why the West Got Rich and the Middle East Did Not

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Introduction

By almost any available metric, there is a wide gap between the economic and political fortunes of the Middle East and the West.[1] Even after accounting for oil wealth, which benefits only a small portion of Middle Easterners, Westerners are on average about six times wealthier. They can also expect to live, on average, eight additional years and have nearly twice the education (see Table 1.1). One cause – and consequence – of Middle Eastern economic retardation is poor governance and violence. The average Middle Easterner lives in a much more fragile and autocratic state and is subject to much more civil and ethnic violence than the average Westerner. This is undoubtedly the primary reason for the political tensions between the Middle East and much of the rest of the world, and it is at the root of the political and economic grievances espoused by Islamists.

This gap between the West and the Middle East – indeed, the West and the rest of the world – is a relatively recent phenomenon. In the preindustrial period, Western Europe was not obviously ahead of the rest of the world, and it was not so far ahead of the Middle East that the Ottoman Empire (the leading Middle Eastern state) felt economically or politically inferior. Over time, a vast economic, political, military, and technology gap emerged between the two. This divergence allowed Europeans to dominate the rest of the world economically and politically, a fact most clearly manifested in their colonization of a large portion of the world's inhabitable land. Meanwhile, by the nineteenth century, the Ottoman Empire was considered the "sick man of Europe" – a once mighty empire on its final legs. The leading Western European powers ultimately carved up the Middle East into states with artificial boundaries that suited European geopolitical needs.

It is undeniable that the fortunes of the Middle East diverged wildly from those of the West. But what caused this divergence? The difference in fortunes is more puzzling than it might seem from a twenty-first-century

Table 1.1 *Economic and Political Health, the "West" and Middle East/North Africa (MENA), 2012–2014 (weighted by population)*

	The "West"	MENA	Interpretation/Notes
Per Capita GDP	$48,269	$8,009	In 2013 US Dollars
Life Expectancy	80.4	72.6	2013 Life Expectancy at birth
Mean Years of Schooling	12.1	6.8	2012 data
State Fragility	1.42	11.11	0–25 (25 is most fragile)
Civil and Ethnic Violence/War	0.00	1.03	0–10 (10 is most violent)
Autocracy	0.00	3.58	0–10 (10 is most autocratic)

Sources: GDP – World Bank (2014); Schooling – UN Development Program (2014); State Fragility, Violence, Autocracy – Marshall and Cole (2014); Population – CIA World Factbook (2014); all data weighted by 2014 population; GDP and Fragility are in 2013; Violence and Autocracy are in 2014.

Western Europe includes Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Luxembourg, Netherlands, New Zealand, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

MENA includes Algeria, Bahrain, Egypt, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, Turkey, UAE, West Bank & Gaza, and Yemen.

perspective. For most of the last millennium or two, Westerners had more contact with Middle Easterners than they did with the rest of the world. Cross-cultural learning between Western Europe and the Middle East occurred more frequently than it did between Western Europe and the rest of the world. The similarities between the two regions and their relative integration make the relative success of the West even more mysterious: What allowed Western economies to succeed where Middle Eastern ones stagnated?

This is the question addressed in this book. At its core, this book is about why some economies succeed and others stagnate. It is tempting to ask whether Islam is to blame for the relative poverty and poor governance of the Middle East. It is impossible to avoid this question, even if it may be offensive to some; it is simply bad science to reject a hypothesis because it is offensive. And there is reason not to dismiss this possibility offhand. The famed scholar of Islamic history Bernard Lewis seemed to suggest just this late in his career,[2] and there is a long Orientalist tradition ascribing bad

consequences to Islamic doctrine and practice. This is also a common trope of the Western media, where simplistic associations between Islam and "bad" socio-political-economic events are all too common. Even if most stories in the media are easy to dismiss upon only slightly deeper inspection, it is not so easy to dismiss the more intelligently construed arguments of the Orientalists. Lewis and others knew a *lot* about the Middle East and Islamic history. And indeed, Islam harbors numerous rules relevant for trade and governance.

So, why isn't Islam to blame? The answer is simple: even if one accepts the idea that religious doctrine matters for economic performance, the facts simply do not line up. The histories of these regions in the millennium prior to industrialization do not align with the idea that Islam is antithetical to economic growth. The most important fact to account for in *any* theory of why the modern economy was born in Western Europe and not the Middle East is that the Middle East was ahead of Europe economically, technologically, and culturally for *centuries* following the spread of Islam. From the seventh through twelfth centuries, Islamic empires dominated Western Eurasia. For its first four or five centuries, Islam was associated with *positive* economic growth.

The worldwide distribution of wealth was much different eight to ten centuries ago than it is in the twenty-first century, both within and across economies. Western Europe was a relatively poor area – the rule of law existed only in small, settled regions, little interregional commerce existed, populations were small and scattered, and science and technology were far behind other regions. By almost any available economic measure, the Middle East was ahead of Europe. It had access to far more advanced science and technology, its trade flowed in higher volumes and over longer distances, and it employed more complicated financial instruments. There is plenty of evidence to support this assertion. Major advances in mathematics, medicine, philosophy, art, and architecture were hallmarks of the Islamic world through the thirteenth century. The data are of course sparser the earlier back in time one travels, but one indication of wealth in the premodern setting for which we do have data is urban population size. Urban population works as a metric of premodern economic performance because large urban populations meant there was enough food to feed people who were not producing for their own sustenance, and urbanites generally produced and consumed the luxuries of life. In short, greater urban populations generally meant greater wealth.[3]

Urban population data confirms the suspected trend, showing a slow but clear reversal of economic fortunes between Western Europe and the

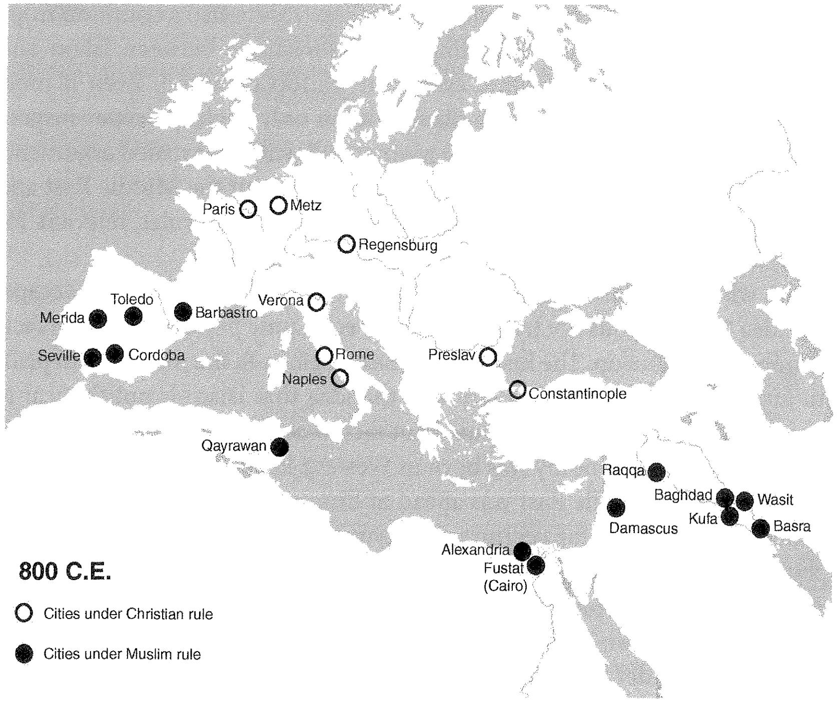

Figure 1.1 Twenty Most Populous Cities in Europe and the Middle East, 800 CE
Source: Bosker et al. (2013).

Middle East over the last 1,200 years. Figure 1.1 indicates that in 800, the urban share of the population of the Islamic world was much greater than in Christian Europe.[4] Fourteen of the twenty-two largest cities in Europe and the Middle East, including by far the largest city – the Abbasid capital Baghdad – were under Islamic rule. The Umayyad (Cordoba) Caliphate in modern-day Spain and the Abbasid Caliphate, centered in modern-day Iraq, ruled the most populous and wealthiest areas. Seven of the eight most populous cities were Muslim-ruled, with only the Byzantine capital Constantinople containing a large urban population of Christians. In fact, the *combined* population of the top thirteen cities of Christian Western and Central Europe (Naples, Rome, Verona, Regensburg, Metz, Paris, Speyer, Mainz, Reims, Tours, Cologne, Trier, and Lyon) was less than the population of Baghdad in 800.

Fast forward 500 years. The scene described in the preceding paragraphs certainly changed by 1300, but even so the Middle East was far from a laggard, in spite of the decimation of some urban populations by the Mongols.

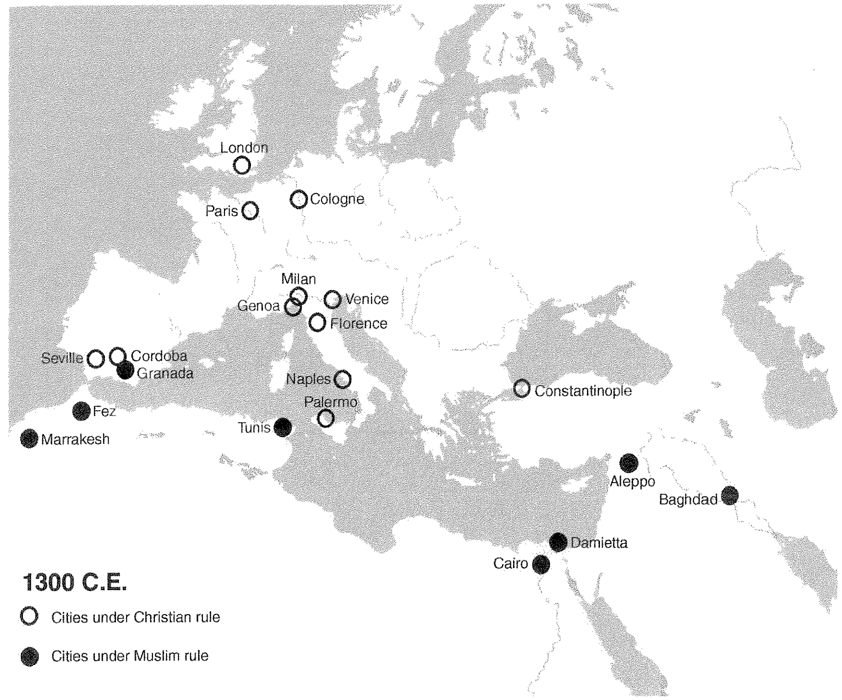

Figure 1.2 Twenty Most Populous Cities in Europe and the Middle East, 1300 CE
Source: Bosker et al. (2013).

By 1300, the economies of Western Europe were again thriving following the long post-Roman downturn, especially in Northern Italy, and many parts of Western Europe were well on their way to recovery. Figure 1.2 suggests that the balance of power between the Christian and Islamic worlds was more equal, with twelve of the top twenty cities ruled by Christians (including the most populous city, Paris). The center of European growth was located in Italy – six of the twelve Christian cities were Italian, with four of those located in the wealthy northern region. The city-states of Northern Italy, especially Venice, Genoa, and Florence, were among the wealthiest places in the world, birthing many aspects of modern banking, finance, accounting, and trade. Northwestern Europe was only slightly wealthier in per capita terms in the early fourteenth century than the wealthiest Muslim region (Egypt), while Italy was about twice as wealthy as any other part of Western Europe, let alone the Middle East.[5]

By 1800, the reversal of fortunes was complete. Seventeen of the twenty most populous cities in the region were not only Christian but located in

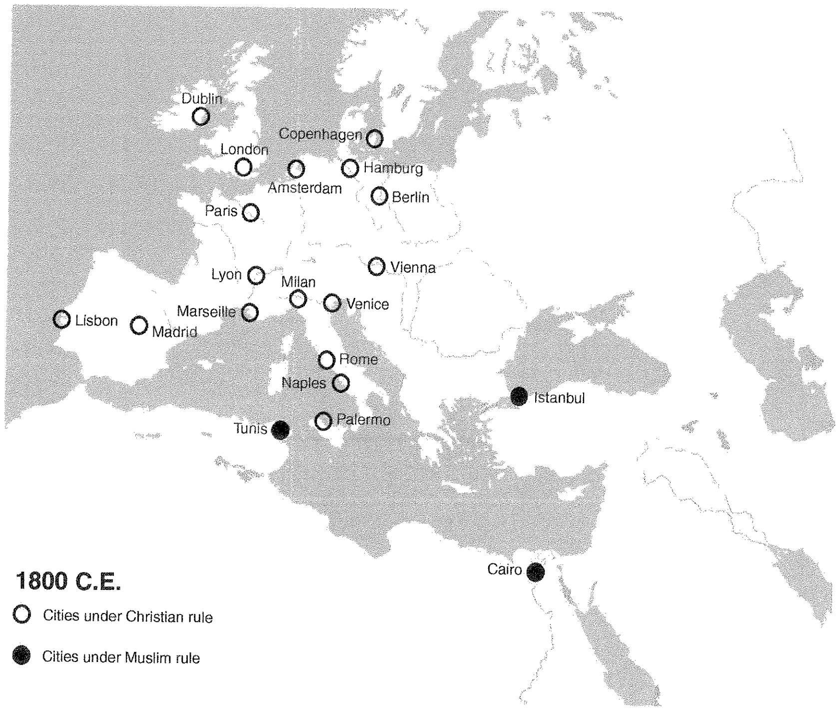

Figure 1.3 Twenty Most Populous Cities in Europe and the Middle East, 1800 CE
Source: Bosker et al. (2013).

either Western or Central Europe. The Industrial Revolution had commenced in Great Britain, and the European powers had colonized much of the rest of the world. Real wages were much higher in northwestern Europe than they were in the wealthiest parts of the Muslim world.[6] The divergence was not solely between northwestern Europe and the Middle East. By this time, real wages diverged dramatically between northwestern Europe and China, Japan, and India as well.[7]

Figure 1.4 summarizes this trend in economic fortunes. This figure presents the "urban center of gravity" of Western Eurasia for each century from 800 to 1800. This is a simple metric of the average longitude and latitude of the region weighted by where urbanites lived. More populous areas "pulled" the center of gravity closer to themselves. The path in this figure is clear. In 800, the urban center of Western Eurasia was just west of the Anatolian Peninsula. It was pulled strongly to the southeast by the Abbasid Caliphate, which was centered in Iraq, while it was pulled south by the bustling urban areas of Egypt. The primary reason

Figure 1.4 Urban Center of Gravity in Europe and the Middle East, 800–1800
Note: Maps in Figures 1.1–1.4 are for representational purposes only. Europe is on a slight tilt in this map relative to its conventional representation in order to accommodate the entire region.
Source: Bosker et al. (2013).

the center was so far west of the Abbasid capital was the presence of large Muslim urban populations in the Iberian Peninsula. Over time, the urban center shifted to the northwest; first toward Italy as the northern Italian city states expanded beginning in the late tenth century, and ultimately toward northwest Europe in the sixteenth–eighteenth centuries as urban populations in England and the Dutch Republic grew relative to the rest of the region. By 1800, the urban center of Western Eurasia was located in northwestern Italy, near Milan – about 2,000 miles away from the old Abbasid capital Baghdad, but only about 500–600 miles from the two great commercial cities of northwestern Europe: London and Amsterdam.

Ultimately, any satisfactory explanation of the reversal of fortunes must account for two historical features. First, it must account for both the rise of the great Muslim empires as well as their relative stagnation. Second, although it is not clear from Figures 1.1–1.4, the modern economy was very much a product of *northwestern* Europe – England and, before that, the Netherlands. An understanding of where modern wealth comes from must therefore account for long-run differences both between Western Europe and the Middle East *and* within Western Europe.

It is the purpose of this book to address these two issues within one consistent framework. The framework eschews simplistic notions that Islam is at the root of the divergence or, on the contrary, that Catholicism or Protestantism are causes of European success. It does argue, however, that how political authorities used religion to legitimize their rule did matter, and the exact mapping from religion to legitimacy to economic outcomes is dependent on historical processes.

Implications and Limitations of the Argument

The consequences of this "long divergence," as Timur Kuran has called it, are still with us in the twenty-first century. If it were not for the temporary shock of oil wealth, the Middle East would be one of the poorest places on earth, rivaled only by sub-Saharan Africa and parts of Southeast Asia. Historical curiosity should be enough to warrant an investigation into how this region – once the wealthiest and most cultured region in the world – fell so far behind.

But historical curiosity is not always enough. Historians and other intellectually minded individuals may appreciate the uncovering of historical connections as ends in themselves, but others consider historical research of this type worthwhile only if it sheds light on contemporary problems. This book should satisfy such a reader. It is first and foremost a book of *economics*. It uses economic theory to search for the general features of an economy that yield success under some conditions and stagnation under others. It uses Middle Eastern and Western European history as a testing ground for the theory. History provides one of the best testing grounds for economic hypotheses: what happened is behind us, and the long-run consequences are clear. This is certainly true of the long-run divergence between Western Europe and the Middle East. One set of economies was clearly much more successful than the other in the long run despite falling well behind early on.

This book addresses this issue with a general economic argument. When economists say that an insight is "general," they tend to mean that it applies to many situations, and the insight may predict different outcomes

depending on the parameters involved. This book aims to provide such a general insight into how and why economic success and stagnation occur over very long periods. It should be obvious that this is not just an issue of concern for the Middle East and Western Europe: the arguments made in this book have implications for the difficult process of alleviating human suffering associated with economic underdevelopment around the world. After all, Western Europe was at one point an economic backwater, and the average wealth of medieval Europeans was lower than most of the poorest parts of the world today. Understanding the mechanisms through which Western Europe escaped such poverty – and the Middle East, for the most part, did not – clearly has implications for the possibilities and limits of economic growth in the twenty-first-century developing world.

The history of the long-run divergence between Western Europe and the rest of the world is therefore important to understand not just for the sake of historical interest, but because it has real implications for how we view the world and how we can change it. Using the economic framework outlined in Chapter 2, this book delves into the historical past to find out what worked in Western Europe and what did not work in the Middle East. Yet, it never implies that merely transplanting what worked in Western Europe into the Middle East will solve all its economic problems. Quite the opposite is true; the solutions that worked in Western Europe arose and evolved in a *specific context*. Understanding this context is essential for establishing the limits of how previous experience can inform the present.

Nor does this book imply that the Middle East is helpless to change its fortunes. In fact, one of the primary insights gathered from the book's framework is that there are many forks along the path of a society's economic, political, and institutional progression. Once a society takes one path along the fork, it becomes more difficult over time to revert to the other side. Yet, new forks arise all the time, often for unanticipated or unforeseeable reasons such as new technologies or natural disasters. How societies respond to these opportunities can have enduring consequences. But nothing predetermines how a society will respond or when an opportunity will arise. History is *not* deterministic; we are not slaves to our historical and institutional past.

This book also does not suggest that the type of economic success that Western Europe experienced could have only happened there. The twentieth-century successes of South Korea and Taiwan are prima facie evidence against such a claim. Instead, this book urges a more nuanced view of why long-run economic success occurs, while searching for general features linked time and again to economic success.

Thinking in Terms of Incentives

Economists like to think in terms of incentives. This book is no different. At every historical turn, it asks the question: Why did the relevant parties act in the manner they did? The answer given in this book always boils down to: "They were *incentivized* to act in that manner." Incentives come from a host of societal attributes: politics, religion, social norms, laws, and culture are just a few. The inquiry cannot stop there: simply noting the incentives that individuals face is the last step. It is critical to take a step back and ask: Why were those incentives there in the first place? Why do the incentives people face differ in different places and at different times, and why do they change over time? Why do they sometimes not change over time?

Thinking in terms of incentives means tossing simplistic ideas of long-run economic divergence out of the window. Take, for instance, the idea that the root of economic divergence between the Middle East and Western Europe lies in the "conservative nature" of Islam. This is no straw man argument. A long tradition of Eurocentric explanations for the divergence suggests that the "conservative" or "mystical" nature of Islam discouraged curiosity and prevented risk-taking, innovation, and mechanization.[8] In this view, Islam is inherently hostile to commerce and finance. Indeed, in varying times and places, Muslim religious authorities advocated laws that inhibited economic development, such as regulations on taking interest and printing, suppression of women, laws discouraging mass education, and adherence to antiquated inheritance and partnership laws. So, at a minimum, there is a *correlation* between the presence of Islam and laws antithetical to economic development.

But correlation is not causation. A simple economic example illustrates the problem with arguments relying on "inherent conservatism." Consider the fact that elderly individuals are less likely to use computing technologies than teenagers are. On the surface, it may seem like older people are inherently more conservative – they prefer sticking with writing letters over sending e-mails. This, however, is a too simplistic argument. Older people are less likely to use advanced computing, not because they prefer the old ways more than teenagers do, but because the costs and benefits of learning a new technology are different. It may in fact be less costly in terms of time for a seventy-year-old to become Internet proficient. Yet, a shorter life horizon for the elderly not only means that they will enjoy the fruits of learning to use the Internet for a shorter period of time, but the opportunity costs associated with the time taken to learn new technologies are much greater as well. Moreover, since their friends are much less likely to be on the Internet, the benefits associated with larger networks are also lower. Hence, older people often take actions that lead to more conservative *outcomes*, but this is not necessarily a result of an inherent resistance to change. Instead, the incentive structure is such that the elderly have less incentive to learn new technologies.

This book applies a similar logic to economic history. Chapter 2 provides a framework based on the incentives the relevant players face in the bargain over laws and policies. It shows the conditions that incentivize these players to choose laws and policies that respond to changing economic environments. "Conservative" outcomes result when these conditions are not present, in that laws and policies do not change in spite of a changing world. But these are *outcomes*, not *preferences*. This book does not rely on some ad hoc theory of a "conservative nature" of certain groups of people; instead, it shows why certain people *act* conservatively.[9]

In the context of the Middle East–Western Europe divergence, an implication of this way of thinking is that conservatism is an outcome to be explained – it is not itself a cause of stagnation. While there is indeed evidence suggesting that Islamic political and religious thought became more conservative starting sometime around the turn of the first millennium, this does not mean that we should take the false path connecting a conservative outlook to economic stagnation. Instead, the correct questions to ask are why some cultures are more conservative than others and were there incentives in the Middle East which eventually led to conservative outcomes. A deeper answer requires that we look beyond cultural differences and analyze the key drivers of incentives, be they economic, religious, social, or political. Where do incentives come from? If not from culture, from where?

The Argument Summarized

Chapter 2 lays out the central framework of the book. It focuses on the players in an economy who affect the enacted set of laws and policies: rulers and their agents. One of its central ideas is that there are people or organizations in society that, due to their identity or access to resources, can help rulers stay in power. I call these people *propagating agents*. The framework focuses on two types of propagating agents: coercive agents and legitimizing agents. Coercive agents propagate through force – people follow the ruler because they face punishment otherwise – while legitimizing agents propagate through legitimacy – people follow the ruler because they believe he (or, much more rarely, she) has the legitimate right to rule. Propagating agents can provide immense benefits to the ruler, but they also come at a cost: the ruler gives them a seat at the bargaining table in return for their support. The laws and policies resulting from this bargain are reflective of the bargaining power of each player and their preferences.

Religious legitimation is especially attractive to rulers because it is inexpensive. Thus, rulers rely on religious authorities when those authorities have the capacity to legitimize their rule. In such a world, rulers are loathe to update laws in response to changing economic circumstances if doing so would undermine the religious establishment. As a result, those with the most to gain from modernizing a society's laws and policies – producers, merchants, and commercial farmers – have little incentive to push for change. Not only are rulers unlikely to side against the religious establishment, but such a request is also a sin. Consequently, laws and policies do not change in response to changes in the outside world, and the result is economic stagnation. This logic indicates that conservatism is a *result* of the incentives faced by the relevant players, not an ultimate *cause* of bad economic outcomes.

The upshot is that differences in laws and policies across societies and over time within societies are a result of differences in the identities of propagating agents. These differences are themselves a result of differences in costs and benefits to rulers of using propagating agents. At any one given point in time, a society's *institutions* impose these costs and benefits on rulers. Institutions are those aspects of society that help form the "rules of the game" by which all players abide. All societies have numerous types of institutions – religious, political, social, and economic – all of which help shape the "game" played between rulers and their propagating agents.

Chapter 3 brings the framework to the economic histories of Western Europe and the Middle East, exploring the historical reasons that rule-propagating institutions were different in the two regions. It argues that the circumstances surrounding the births of Islam and Christianity had important consequences for the manner in which rule was propagated. Islam was born in the seventh-century Arabian Peninsula, and it formed as the early Islamic empires were rapidly expanding. Many aspects of Islamic doctrine were a response to this environment, including doctrine supporting a ruler's right to rule as long as he acted "Islamic." Christianity, on the other hand, was born in the Roman Empire, with its previously established, well-functioning legal and political institutions. Early Christianity never formulated a corpus of legal or political theory that came close to rivaling that of early Islam for the simple reason that early Christian thinkers did not need to do so. This is not to say that religious legitimacy was unimportant in

European history – it merely entails that Islam was *more* conducive to legitimizing rule than Christianity was, meaning that the benefits of religious propagation were greater in the Middle East than in Western Europe. The framework therefore predicts that, all else being equal, religious authorities should have had a greater seat at the bargaining table in the Middle East than in Western Europe.

It matters who sat at the bargaining table for two reasons: (1) doctrine exists in both Islam and Christianity that affects economic practices; (2) the interests of religious elites do not always align with the types of laws and policies that favor economic success. Chapter 4 brings to light one consequence of this insight, overviewing the history of an economic doctrine common to Islam and Christianity: laws against taking interest on loans (usury). This chapter employs the framework to shed light on why usury doctrine diverged in the two religions. It highlights the different ways that political and religious authorities interacted in the two regions and how this in turn affected the willingness of rulers to permit interest. This chapter hardly claims that differences in interest laws were the reason Western European economies surpassed the Middle East. Yet, it does show that these restrictions were not completely innocuous. The type of financial instruments employed in the two regions reflected doctrinal differences and, more importantly, the lack of banking institutions in the Middle East prior to the nineteenth century.

Chapter 5 analyzes the spread of the printing press. The framework sheds light on a historical puzzle: while the printing press spread rapidly in Western Europe after its invention by Johannes Gutenberg in 1450, the Ottomans prohibited its use for *almost 250 years*. The argument for the different reactions to the press is straightforward. The printing press threatened the Ottoman religious establishment's monopoly on the transmission of knowledge – a key source of their influence in society – and they therefore had incentive to encourage the sultan to prohibit it. The sultan obliged because religious authorities were important legitimizing agents, and permitting the press would have undermined them. Meanwhile, Christian religious leaders were in no position to ask rulers to block the press, and it consequently spread rapidly throughout Europe.

The analyses of interest and printing restrictions suggest there is nothing inherent in Islam that fosters an environment supporting anti-commerce laws. In fact, early Islamic religious and political doctrines were quite flexible and possibly even growth promoting. Reinterpretation of religious law was frequent as demanded by economic and social conditions, and as a result the Middle East was an economic, technological, and cultural leader for centuries after the founding of Islam. Many of the Islamic laws that eventually inhibited economic development were well suited to the needs of the early Islamic economy. Yet, as economic conditions advanced, the legitimizing relationship between political and religious authorities had an increasingly dampening effect on further economic development. Religious doctrines such as those banning interest or reproducing words and images, which were not a problem in the premodern economy, came to the fore as an impediment to overcome.

The printing press was arguably the most important information technology of the last millennium, and Western European economies grew rapidly where it spread. But the indirect consequences of the spread of the press were even more important. Chapter 6 highlights one of these consequences: the press facilitated the spread of the Protestant Reformation. The printing press permitted widespread, rapid dissent, allowing the Reformation to succeed where previous anti-Church movements failed. This chapter reports the results of empirical analyses that show that the Reformation was much more likely to take hold in towns with access to printed works. This is a classic case of a "fork" in a society's long-run institutional trajectory. Such an anticlerical movement, which was so dependent on the rapid flow of information, was much less likely to happen in the Ottoman Empire, where access to printed works was minimal. The lack of information technology in the Ottoman Empire capable of quickly transmitting ideas allowed established interests to maintain their grip on power, permitting the institutional status quo to hold for centuries. As a result, religious authorities remained powerful political forces in the Middle East for centuries after their influence waned in Western Europe.

The remainder of the book argues why the Reformation was such an important event for the economic trajectory of Western Europe – and why a lack of a similar undermining of religious authority was important for the trajectory of Catholic Europe and the Muslim Middle East. The primary insight is that the Reformation fundamentally transformed the manner in which rule was propagated. The already weak legitimizing capacity of religion eroded further in Protestant states following the Reformation, forcing Protestant rulers to change the agents that propagated their rule. The most common response was to seek propagation by the economic elites who served in parliaments. By economic elite I simply mean those people primarily engaged in commerce: merchants, craftsmen, money changers, commercial farmers, and anyone else engaged in either producing for market or facilitating market transactions. The transition to propagation by the economic elite was an important development, because their preferences

tended to align more with those types of policies that also portend economic success, such as secure property rights and public good provision. Consequently, Protestant rulers more frequently enacted laws and policies favoring long-run economic success than did Catholic or Muslim rulers.

This is not to say that the economic elite were more "public spirited" than other types of propagating agents and therefore desired policies in the public interest due to altruistic motives. Quite the opposite, it suggests that the economic elite pursued their own interests, which just so happened to coincide with policies that benefited the broader economy. Nor is it to say that everything the economic elite desired was good for the economy; history is replete with examples of rent seeking by the economic elite. This is also not to say that a political system run solely by the economic elite would be a good thing for an economy. It does imply, however, that a political system where the economic elite have a nontrivial seat at the bargaining table enables better economic outcomes than one where they have no voice at all.

Chapters 7 and 8 dig into the relevant histories to support these assertions. Chapter 7 overviews the post-Reformation economic and political changes made in the two leading Protestant economies: England and the Dutch Republic. Chapter 8 overviews the histories of one Catholic economy that fell behind, Spain, as well as the primary Middle Eastern economy of the time, the Ottoman Empire. These are not trivial comparisons cherry-picked to support the argument. These were the most important economies of the time, save possibly France, adhering to Catholicism, Islam, and some form of Protestantism.

The framework therefore accounts for the "little divergence" that happened between northwestern Europe and the rest of Europe as well as the larger divergence between Western Europe and the Middle East. It is not sufficient to say there was "something about Western Europe" that eventually led to economic success. The emergence of the modern economy was *not* a pan-Western Europe phenomenon – it was very much an English and Dutch phenomenon. While I do not claim that the framework explains everything – the argument stops before industrialization, which requires its own explanation – I *do* claim that the places where the modern economy was eventually born had a very different political economy equilibrium by the end of the sixteenth century – one that was more conducive to long-run economic growth.

This framework thus turns simplistic Weberian notions connecting a "Protestant ethic" to economic success on their head.[10] Max Weber (1905 [2002]) argued that Calvinist predestination doctrine encouraged believers to show that they were one of the "elect" by working hard and having worldly success. The "spirit of capitalism" thus pervaded the Protestant countries and placed them on a different economic path. The observation that inspired this hypothesis is valid: many of the Protestant nations had a head start on modern economic growth. But, while recognizing that there is a *correlation* between Protestantism and economic success, this book argues for a very different *causal* channel than one based on culture or religious tenets. It suggests that the changes in political economy brought on by the Reformation – specifically the replacement of the religious elite with the economic elite at the bargaining table – was the key feature connecting Protestantism to economic success. This of course does not mean that the modern economy had to emerge in Protestant northwestern Europe. It simply entails that if one living in 1600 had to choose which part of the world industrialization and the associated explosion of economic growth would commence 150 years hence, Protestant northwestern Europe would have been a good choice.[11]

Other Explanations

The explanation proposed in this book for the "rise of the West" is far from the only one out there. The rise of the West is one of the big issues that economic historians tackle, and consequently there have been many words dedicated to furthering our understanding of its causes. Many of the existing hypotheses nicely complement the one proposed in this book. Such explanations focus on other aspects of the rise of the West or relative stagnation elsewhere, providing explanations that reinforce the mechanisms highlighted in this book. There are also explanations that are clearly contradictory to the ones proposed in this book. I also address these below and indicate why I believe my explanation succeeds where those fail.

Complementary Hypotheses

The explanations for the "rise of the West" most closely related to the one presented in this book are those proposed by Avner Greif, Douglass North, and Timur Kuran. Greif and North both provide useful frameworks for understanding the economic implications of institutions. Greif shows in a series of articles and his book, *Institutions and the Path to the Modern Economy*, how decentralized institutions worked to facilitate trade in the medieval period in the absence of centralized political and legal institutions. Greif focuses primarily on economic institutions that emerged outside of the state and how these institutions facilitated economic exchange. The focus of the present book is on a different slice of economic life: the

incentives faced by the key Middle Eastern and Western European political players. The institutional changes analyzed by Greif were necessary precursors of the historical factors explored in this book. Greif's work therefore provides a necessary complement to my argument.

One set of institutional differences studied by Greif that deserve explicit attention are those related to family structure. The European family structure resulted from the policies of the medieval Church that discouraged certain practices in order to weaken kinship ties (adoption, polygamy, remarriage, consanguineous marriage). According to Jack Goody (1983), the Church imposed these policies in the hope that people would donate their property to the Church at their death rather than to their kin.[12] In contrast, kinship ties were much more important in the Middle East, where consanguineous marriage was commonplace. Greif (1994a, 2006a, 2006b) argues that, as a result, European culture was more "individualistic" than Middle Eastern culture, which was more "collectivist." Europeans therefore created institutions that created trust outside of the group, as the nuclear family was too small of a unit to engender gains from exchange.[13] This advantaged the Middle East when the scope of trade was limited, as trade within the kin group could occur without further institutional development. However, impersonal exchange emerged on a wide scale once late medieval European communities established institutions that facilitated trust beyond the kin group. These arguments are entirely consistent with the ones presented in this book. For one, they employ the same argument for why Islam may have been beneficial to economic growth in the premodern context: it connected Muslims through the concept of *umma*, which views the entire Islamic community as one. And Greif's argument for the ultimate success of the European economy nicely complements my explanation. Strong kin ties may have ultimately discouraged impersonal exchange in the Middle East, but this alone does not explain why the economic elite were never able to get a seat at the bargaining table. The argument presented in this book fills in this gap, arguing that the economic elite never had a place at the bargaining table because Middle Eastern rulers were strong enough, due to the legitimizing capacity of Islam, to exclude them.

Another set of works from which the present book draws inspiration and insight are Douglass North's works on institutions, especially his books *Structure and Change in Economic History* and *Institutions, Institutional Change, and Economic Performance*. A primary focus of North's works is connecting political institutions to the expansion of property rights. The emergence of such institutions in northwestern Europe were undoubtedly important, and they play a key role in the theory laid out in this book.

North extended his contributions to this literature in a seminal article with Barry Weingast (1989), which suggests that the imposition of institutionalized constraints on executive authority in England following the Glorious Revolution of 1688 was the key turning point, since it gave an increased political voice to wealth-holders. North, John Wallis, and Weingast extend this argument even further in their book *Violence and Social Orders*, claiming that opening access to impersonal and impartial legal and economic institutions is the key to economic growth. In their view, open access is important because it encourages a wider swath of the population to use resources efficiently. Daron Acemoglu and James Robinson (2012) make a similar argument in their book *Why Nations Fail*, arguing that governments that permit extraction are the primary historical hindrances to economic growth. These arguments are all consistent with the one presented in this book. By and large, this book takes the year 1600 as its stopping point. One implication of my argument is that by 1600, there were certain parts of Western Europe that were primed for an economic takeoff in the spirit of what North and others describe. Hence, this book merely pushes their arguments back a few centuries, noting why such events were *more likely* to happen in England than, say, the Ottoman Empire.

The comparative approach employed in this book is similar to the important works of Timur Kuran. Kuran, in a series of papers and his book, *The Long Divergence*, argues that there were numerous aspects of Islamic law that helped stimulate commerce in the premodern economic environment but stifled economic progress as the environment changed. He employs a similar tactic to the one used in this book, searching for an explanation that can explain both why early Middle Eastern economies succeeded and why Western Europe eventually pulled ahead. Kuran primarily focuses on the demand – or lack thereof – for legal change in Middle Eastern history, while my argument primarily focuses on its supply.[14] Our works are thus necessary complements to each other; it is impossible to fully understand the demand side without a complete comprehension of the supply side, and vice versa. As with Greif's and North's works, Kuran and I ask the same big questions but tackle different parts of them.

Jan Luiten van Zanden employs the insights of Greif, Kuran, North, and many others in his book, *The Long Road to the Industrial Revolution*. van Zanden argues that one specific phenomenon – the "European Marriage Pattern" – contributed to the institutional formation that took place in early modern Western Europe and helped set it off from the rest of the world. Specifically, van Zanden suggests that the propensity of northwestern European men and women to get married later in life encouraged them to acquire more human capital, which was an important determinant of how institutions evolved.[15] Like Greif, van Zanden argues for the importance of decentralized institutional developments in the economic rise of Europe in the late medieval period (950–1350). Without such developments, many of the processes discussed in this book could not have occurred. Like the present book, van Zanden also stresses the importance of the printing press and the Reformation, although he is more concerned with their human capital consequences and I am more concerned with their effects on politics.

Another set of hypotheses focusing on political and legal institutions argues that fiscal and legal capacity – the power to tax and provide law – played an important role in the rise of the West. This argument in its recent form can be traced to Charles Tilly (1975, 1990), who argues that the need for mutual defense and war created incentives for governments to invest in revenue generation; Tilly's (1975, p. 42) oft-cited statement is "War made the state, and the state made war."[16] It is undoubtedly true that the growth of fiscal, legal, and state capacity in Europe played a large role in the growth of states and economic fortunes.[17] Yet, one shortcoming of this literature is that it assumes the existence of a ruler who can choose to expand tax collection efforts or legal jurisdiction without delving too deeply into why the ruler has the capacity to do so in the first place. This shortcoming is justified; any analysis must start somewhere, and assuming the existence of ruler is a reasonable place to start in most historical settings. But the argument laid out in this book suggests that the manner in which rulers are propagated matters for the types of policies they pursue – and, ultimately, their ability to reap the benefits of fiscal and legal capacity. Although I only indirectly discuss investments in fiscal capacity in relation to rule propagation (in Chapters 7 and 8), it clearly follows that the two are intimately linked.[18]

A related set of explanations based on the unique political history of Europe focuses on the fact that Europe was relatively fractured into small states that were frequently at war, whereas much of the rest of the world was dominated by large empires that faced less political competition. The main idea in this literature, formulated by Paul M. Kennedy (1987) in *The Rise and Fall of the Great Powers*, is that the constant demand for warfare in Europe created incentives to improve military technology at a different rate than the rest of the world, which in turn gave Europe the upper hand in colonizing starting in the sixteenth century. A more nuanced version of this hypothesis, put forward by Philip Hoffman (2015) in his book *Why Did Europe Conquer the World?*, argues that competition between European rulers only led to massive improvements in military technology when combined with gunpowder, which came to Europe in the late medieval period.[19] Yet, one of the key insights in the present book is that the Middle East ultimately suffered precisely *because* their rulers were strong: the strength of their rule, due in part to religious legitimation, permitted them to grow empires without having to negotiate with the economic elite. The opposite was the case in Europe, where rulers were relatively weak due in part to low levels of religious legitimation. This argument complements the fractionalization literature because it provides an explanation for Europe's fractionalization.[20] Indeed, it goes beyond this literature by providing an account for *intra*-European differences in long-run economic outcomes. The modern economy was born in northwestern Europe, not just Europe. This fact is difficult to account for in an argument based solely on European fractionalization.

A different set of hypotheses focus on the economic effects of rhetoric, intellectualism, and the Enlightenment. A compelling example from this literature is Deirdre McCloskey's *Bourgeois Dignity*, which suggests that the way people talked mattered. In particular, a shift in language, particularly in England and the Netherlands, more favorable to commerce and trade was instrumental in changing mindsets and encouraging talented and wealthy individuals to pursue commercial activities previously considered base. Joel Mokyr (2002, 2009) presents a complementary argument, suggesting that new ways of thinking and acquiring knowledge, particularly in association with the seventeenth–eighteenth century Enlightenment, augmented the economic behavior of producers and entrepreneurs in favor of experimenting toward more efficient techniques. Both McCloskey and Mokyr clearly point out important aspects of the growth of the modern economy; it is difficult to imagine a modern economy in which an inquisitive and experimental impulse was lacking in business or those engaging in commerce were pariahs. Yet, it is unclear what the prime mover is in these arguments. Could it possibly be true that a change in attitudes toward merchants occurred without a concurrent rise in the power or wealth of these classes? Is it not possible that the Enlightenment and other intellectual movements were responses to economic or political conditions? The arguments made in the present book help shed light on these problems by providing insight into the conditions that made such movements possible in the first place.

Contradictory Hypotheses

The most important set of contradictory hypotheses to the one proposed in this book centers around differences in culture. I already stated the primary problems with explanations based on culture – they often confuse correlation with causation, suggesting that a "conservative" culture is the cause of the problem when it is actually a result of deeper forces also affecting economic and political differences. Of course, culture matters to economic outcomes. Yet, hypotheses of this ilk tend to treat culture as unchanging. An important example of such an argument yet again comes from Max Weber (1922), who famously ascribed the relative economic retardation of the Middle East to the "conservative nature" of Islam. Such a claim was seconded in more recent expansive histories by David Landes (1998, ch. 24), Eric Jones (1981, pp. 179–84), and even Joel Mokyr (1990, pp. 205–6), who in a fantastic book on technology and economic development suggests that a shift to a more conservative outlook contributed to the long-run technological backwardness of the Middle East.[21] The present book suggests an alternative explanation: conservatism is not an inherent feature of a society, but an outcome based on a lack of incentive to change.[22]

Gregory Clark's meticulously researched *A Farewell to Alms* presents a different strand of cultural argument. Clark offers the theory that noble and middle-class values slowly spread throughout English society during the late medieval and early modern periods because the rich had higher reproduction rates than did the poor, and this did not occur elsewhere in the world. As people with a more bourgeois background spread throughout all layers of the economy, virtues generally associated with capitalism spread with them, allowing England to escape the Malthusian trap of persistent subsistence income. In Clark's view, institutions play no role in the rise of modern wealth. It is a fascinating hypothesis that has sparked an important debate about the "big question" of why some are wealthy and others are poor.[23] Yet, it does not adequately address one important aspect of the argument: the onset of modern economic growth was a northwestern European phenomenon. Clark's argument applies to England but not to the rest of Western Europe, and it cannot explain the clear differences that arose by 1750 between the Ottoman Empire and northwestern Europe, not just England.[24]

Another explanation, more prevalent in the popular press than in academia, is that Western colonialism is the cause of Middle Eastern economic stagnation and political violence. In this view, the nineteenth- and twentieth-century plundering of North Africa and the Middle East by European powers inhibited the region's economic development. The most popular variant of this argument is that the carving up of the Middle East under the Sykes-Picot Agreement of 1916 without regard to tribal, ethnic, or religious identities set the stage for internal conflicts from which the region has yet to escape.[25] This is an attractive idea to those who want to absolve Middle Eastern political, religious, and economic leaders from contributing to economic stagnation. While it is certainly true that the European powers did not have the best interests of Middle Easterners at heart – and that many aspects of twentieth-century Middle Eastern political economy have colonial roots – it is hard to see how colonialism is the root source of Middle Eastern problems. Such explanations raise a more important question than they answer (also noted by Timur Kuran): Why were Western European powers able to colonize the Middle East in the first place? Colonization cannot be the root cause of economic differences, but instead must be an outcome of other, more historically distant economic or political causes.

Another hypothesis that cannot explain many of the phenomena discussed in this book is Jared Diamond's "geography hypothesis" put forward in *Guns, Germs, and Steel*. Diamond claims that the shape of land masses, the ability to domesticate certain animals, and crop endowment had numerous consequences for how societies formed over time. Likewise, Jeffrey Sachs (2001) argues that disease environment, ability to produce food, and energy endowments help explain why tropical climates have performed worse than temperate ones. A related set of hypotheses are those of Stanley Engerman and Kenneth Sokoloff (1997, 2000), who argue that resource endowments helped shape the economic paths of different regions in the New World. If geography is the ultimate determinant of long-run economic success, it is difficult to see why some regions of the world could be so far ahead at one point in time and then fall so far behind later. After all, geography is practically constant. The geography thesis therefore has difficulty answering the primary question posed in this book: Why was the Middle East so far ahead of Western Europe for so long only to ultimately fall so far behind?[26]

A final argument meriting discussion is the one proposed by Bernard Lewis late in his career in *What Went Wrong?* Lewis argues that the lack of separation of church and state in the Islamic world had a long-run detrimental effect on Islamic economies. This fact is also at the heart of the argument in the present book, although the conclusions drawn from it are very different than in Lewis. Lewis argues that there was never a separation of church and state in Islam due to the fact that Muhammad conquered his holy land in his lifetime and became the head of the first Muslim state. Consequently, the concept of "secularism" remained foreign and unthinkable in the Islamic lands. Lewis goes on to argue that this meant that societal features associated with secularism in the West – civil society and representative government – never evolved in the Islamic world. Lewis's argument is a bit too simplistic. Why should a concept be unthinkable for more

than *one thousand years* merely because it was not a part of early Islamic doctrine? Both the religion of Islam and the political structure of Middle Eastern states changed on numerous fronts in the last 1,400 years, especially in the first four Islamic centuries. There is apparently nothing inherent to Islam that would forbid change in the manner that Lewis implies. The present book provides an answer where Lewis is lacking one. Instead of simply assuming that differences in how rulers used Christianity and Islam were "built into" the system, it provides an explanation for why the legitimizing relationship between rulers and religious authorities diverged over time. Unlike Lewis, my explanation does not rely on a Eurocentric assumption of the "Orient" merely being stuck in its ways. Instead, I argue that where we do not see change it is not because of some inherent conservatism or alternatives being "unthinkable," but because it was in the interests of enough of the relevant players to maintain the status quo.

The Audience of this Book … and a Caveat

This book provides insight into the statement made in its subtitle: Why the West got rich and the Middle East did not. It tackles the question of where modern wealth came from, and why its origins were found in the West and not elsewhere. This is one of the most important inquiries economists and economic historians make, which is why so many have addressed it in the past and many more will continue to address it in the future. A satisfactory answer has implications that clearly go well beyond historical curiosity. First and foremost, gaining a better understanding of the origins of modern wealth is a topic of central interest to economists, especially development economists and economic historians. Political scientists are interested in the role that rulers and political institutions played in the process that yielded the modern economy. I also attempt to repudiate simple but false claims about the direct connections between religious doctrine and economic outcomes. To the extent that they are willing to listen to such an economic argument, this is a topic of interest to scholars of religion. Finally, and most importantly, this book has implications for what promises to be one of the most enduring stories of the twenty-first century: the role of Islam in politics and economics. This topic should interest anyone concerned with the future of Middle Eastern political economy or the important role the Middle East will play in twenty-first-century Western political economy. Interest in this topic obviously extends well beyond the academy, and I have written this book in a manner that reflects this. To the extent possible, I avoid using economics jargon, and I have replaced all equations with words.

Whenever an economist writes for a general audience, it is difficult to avoid writing in a manner that prevents misinterpretation. This is even truer when writing on religion, a topic in which many people have preconceived notions on what they want the answer to be. I attempt to preempt any such misinterpretation throughout the book, wherever it is appropriate, and I re-address the major misconceptions of the argument in the concluding chapter. But there is one misconception worthy of addressing at the end of this introductory chapter. This is, namely, that this book is very much *not* a diatribe against religion. Nor is it a diatribe against Islam. It is true that this book seeks an explanation for why the Middle East fell behind Western Europe, and that it finds "getting religion out of politics" to have played a major role in this process. But there is almost nothing about Islam or Christianity per se that is at the root of these differences, save their capacity to legitimize rule. Nor is there anything specific to religion that is "bad" for economic outcomes: propagation by *any* entity with interests not aligned with broader economic success will likely lead to laws and policies detrimental to long-run economic fortunes. More importantly, while this book tackles a controversial topic, it does so with no underlying agenda besides being a quality work of economics. It is not pro- or anti-Islam or pro- or anti-religion. It is simply an argument that uses economic logic to improve our understanding of the origins of the modern economy and why it emerged – and did not emerge – when and where it did.

PART I

PROPAGATION OF RULE: A THEORY OF ECONOMIC SUCCESS AND STAGNATION