

## SOCIOECONOMIC ROOTS OF MIDDLE EAST RADICALISM

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**O**n 11 September 2001 the United States was attacked by utopian fanatics, followers of a movement inspired by an exceptionally narrow interpretation of Islam. Although millions of Muslims deplored the attacks, millions of others also expressed some degree of sympathy for the terrorists. Why do this movement and other radical Islamic political movements resonate in the Middle

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East and the wider Muslim world? The answer, of course, is profoundly complex. Social, economic, political, and cultural factors, interacting over many decades, have spawned this particular phenomenon. Space here permits only a sketch of the social, economic, and political issues.

To seek to understand why these murderous acts took place in no way condones them. Historians who study Nazism do not justify Auschwitz, and students of Stalinism do not exonerate the perpetrators of the Gulag. Understanding why something happens is much better than incomprehension. If we fail to grasp the reasons for the attacks on the United States, we will fail to respond wisely.

### A REGION IN CRISIS

Muslims worldwide confront a multidimensional crisis. Like any important historical phenomenon, its roots are profoundly complex and intertwined, composed of economic, social, political, and cultural

dimensions. However important the socioeconomic and political aspects of this crisis, the cultural difficulties are equally, perhaps uniquely, important. While these dimensions are conceptually distinct, they are also intimately linked, and they interact in complex ways. For example, economic failure erodes regimes' legitimacy and fosters an ideological vacuum, as old ideologies (e.g., Arab nationalism) are perceived as failures. The often-noted fact that essentially all serious political discourse in the region is now phrased in Islamic terms links the cultural dimension to all the others.

This crisis is simultaneously internal and external. It is internal because of population growth, failed economic policies, local authoritarianism, and cultural issues. It is external because wider forces of globalization play a critical role in stimulating the growth and spread of radicalism. Much of the region's economic stagnation derives from its weak and distorted integration into the global economy. At the same time, the kinds of integration that have occurred—specifically, international migration and the spread of global communications—have themselves contributed to the spread of radicalism. Also, in large part, the failure of local regimes stems from a failure to manage and engage successfully the wider process of globalization.<sup>1</sup>

Today's Middle East finds itself mired in the "modernization process." The transition from a society of illiterate farmers, ruled by a literate, urban elite, into an urban, mass-educated society with an economy based on industry and services has been deeply traumatic. Worse, such change has always and everywhere spawned grotesque violence. The modern history of both Europe and East Asia, the only places in the world where this transition has been more or less successfully accomplished, often reads like a horror novel: World Wars I and II, Stalin's Gulag, Hitler's Holocaust, Japanese fascism, the Chinese revolution, the "Great Leap Forward" and its attendant famine, and the Cultural Revolution. The American experience has also been bloody: the extermination of Native Americans, the racial violence of slavery and Jim Crow, and the more than half-million casualties of its own Civil War. Why should we expect the people of the Middle East to do better than anyone else?

Much of the violence during this transition has been perpetrated by utopian fanatics, a category that includes fascists, Nazis, Leninists, and Maoists, and the followers of al-Qa'ida. Like their predecessors, today's Islamic fanatics "imagine a future" in the "restoration" of the (imagined) conditions of seventh-century Arabia. Like all fanatics, they believe that they enjoy a monopoly on truth and that those who disagree "are not merely mistaken, but wicked or mad."<sup>2</sup> They believe that there is only one goal for humanity, and to reach it they are ready to wade "through an ocean of blood to the Kingdom of Love."<sup>3</sup> Fanatics have always built towers of skulls as monuments to their fantasies.

These particularly virulent fanatics are part of a larger social phenomenon, the transnational “Salafi movement.” This movement advocates a return to what its proponents believe to be the strict practices of the earliest Muslims. Their political ideology asserts that such a return will solve the many difficult problems facing most Muslim societies. Their slogan declares, “*Islam huwwa al-hal*”—“Islam [the Salafi interpretation of Islam] is the solution.” Salafis include the followers of al-Qa‘ida and the *muwahhidiin* (or “Unitarians,” as they call themselves, or the Wahhabis, as others call them), partisans of the official ideology of the kingdom of Saudi Arabia. Several analysts have recently called attention to the spectrum of opinions within this movement.<sup>4</sup>

Radical movements have their greatest appeal when the dislocations of the transition to modernity are most acute. Only the slaughter of World War I and its chaotic aftermath allowed the Bolsheviks to seize power in Russia. It is inconceivable that Hitler would have come to power without the Treaty of Versailles and the Great Depression. Famine, governmental collapse, and the horrors of the Japanese invasion set the stage for China and Chairman Mao Tse-tung. The siren song of fanatics becomes most seductive when economic, political, social, and cultural crises combine and when people feel that they have been repeatedly humiliated.

#### THE RAGE OF THE YOUNG

The utopian fanaticism of al-Qa‘ida and other groups is nourished by the deep despair of huge numbers of young Middle Easterners, half of whom are younger than twenty. The first major social element in the noxious cocktail of religious radicalism in the region is the phenomenon of the “youth bulge.”

The key demographic facts of the region are that the population is still growing rapidly but that fertility rates have declined considerably during the past decade. According to the World Bank, the population of the Middle East and North Africa is now growing at about 2.1 percent per year. At this rate, the population will double in about thirty-four years. On the other hand, population growth rates have fallen sharply in the past ten years, from 3.2 percent in the mid-1980s to 2.7 percent between 1990 and 1995. Sharp fertility declines caused this change, and there is reason to expect further declines.

However, this generalization hides substantial variations across countries and regions (table 1). Although population growth rates and total fertility rates have fallen markedly in Egypt, Iran, and Tunisia, they have remained stubbornly high in Gaza and Yemen. Indeed, the total fertility rates in Gaza (7.6 percent) and Yemen (7.1 percent) are among the highest in the world. Gaza also has a very high rate in relation to per capita income, a phenomenon also observable in the Arab Gulf countries.

**TABLE 1**  
**POPULATION DATA FOR SELECTED MIDDLE EASTERN**  
**AND OTHER MUSLIM COUNTRIES**

Country	Population (millions, 2000)	Population Growth Rate <sup>a</sup> (percent)	TFR <sup>b</sup>
Afghanistan	26.8	2.5	6.0
Algeria	31.8	2.2	3.4
Bahrain	0.64	1.9	3.0
Egypt	68.5	1.9	3.4
Gaza	1.2	4.5	7.6
Iran	71.9	2.5	4.3
Iraq	24.7	3.6	6.1
Jordan	4.7	3.1	4.8
Kuwait	2.1	1.9	3.4
Lebanon	3.6	1.6	2.3
Libya	6.1	3.7	6.2
Morocco	30.2	2.0	3.4
Oman	2.5	3.3	6.1
Pakistan	141.2	2.4	4.9
Qatar	0.75	1.3	3.5
Saudi Arabia	22.2	3.3	6.4
Somalia	7.0	2.8	7.0
Sudan	33.5	2.9	5.7
Syria	17.8	3.2	5.6
Tunisia	9.6	1.5	2.4
Turkey	66.6	1.6	2.5
United Arab Emirates	2.4	1.6	3.6
West Bank	1.7	3.2	4.9
Yemen	17.5	3.3	7.1

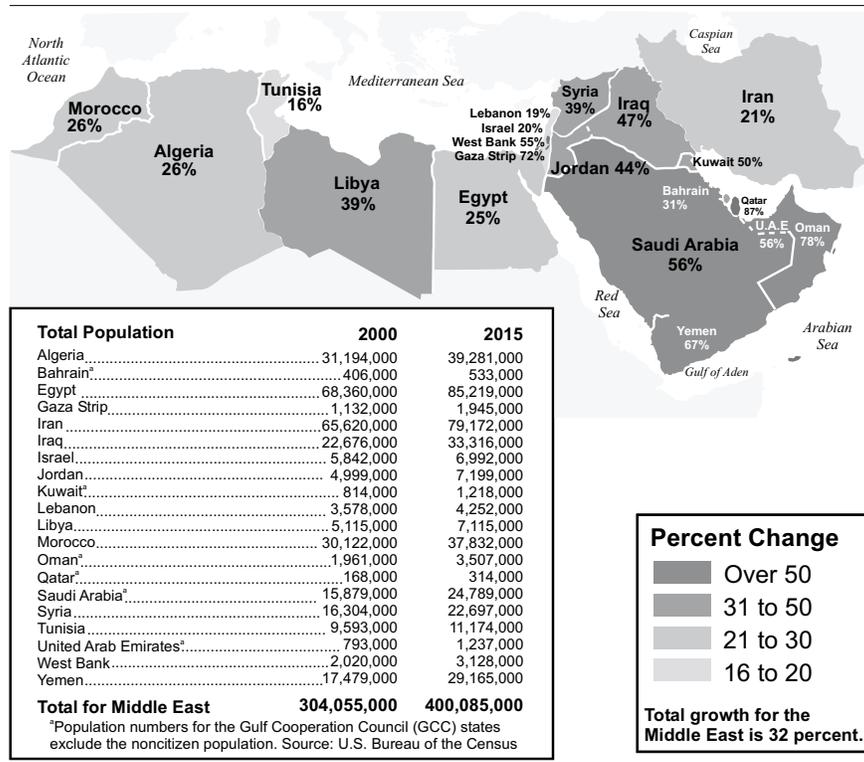
a. Rate of natural increase, 2000.

b. Total fertility rate, 2000. The TFR measures the number of children that a “statistically average” woman will have during her lifetime.

Source: U.S. Bureau of the Census, available at <http://www.census.gov/ipc/prod/wp98/wp98.pdf>

Populations will continue to grow despite falling fertility rates because fertility remains well above replacement levels and because, as a result of past population growth, many women will soon enter childbearing years (“demographic momentum”). Many countries in the region will experience a considerable rise in their population during the next fifteen years (figure 1). The population may reach roughly six hundred million by 2025, some six times greater than the 1950s. Such growth poses numerous economic challenges, from food and water to jobs and housing.

**FIGURE 1  
GROWTH IN POPULATION FROM 2000 TO 2015**



Several implications follow from this demographic pattern. First, and most important, is that the majority of those in the Middle East are young—half the Arab population, 54 percent of Iranians, and 52 percent of Pakistanis are younger than twenty years old (table 2). (By contrast, only slightly more than one-quarter of the populations of developed countries—the United States, European Union, Australia, New Zealand, and Japan—are under twenty.) Two-thirds of the people in the region are under thirty. It is not likely that this picture will change markedly in the next generation. By 2025 the number of people aged fourteen or younger will roughly double; in that year, about two out

**TABLE 2**  
**YOUTH AS PERCENTAGE OF TOTAL POPULATIONS**

Percentage of Population That Is:		
Country	Under 15 years old	Under 20 years old
Afghanistan	43	53
Algeria	38	50
Bahrain	31	38
Egypt	36	47
Gaza	52	62
Iran	43	54
Iraq	47	58
Jordan	43	54
Kuwait	32	42
Lebanon	30	41
Libya	48	58
Morocco	36	47
Oman	41	51
Pakistan	34	52
Qatar	27	35
Saudi Arabia	43	52
Somalia	44	54
Sudan	45	56
Syria	46	57
Tunisia	32	42
Turkey	31	41
United Arab Emirates	32	41
West Bank	45	56
Yemen	48	60
DCs <sup>a</sup>	19	26
LDCs <sup>b</sup>	34	43

a. Developed countries—European Union, Japan, United States, Canada, Australia/  
 New Zealand.

b. Less developed countries.

Source: U.S. Bureau of the Census, available at <http://www.census.gov/ipc/prod/wp98/wp98.pdf>

of five Near Easterners are projected to be younger than twenty.<sup>5</sup> When one asks such questions as “What is the impact of our policies on Arabs?” we are in fact asking, “What is the impact of our policies on young people?”

Second, the rapid fall in fertility may lead to a rapid decrease in the “dependency ratio” (the number of people under fifteen or over sixty-five compared to the working-age population).<sup>6</sup> When this has happened elsewhere, as in East Asia in the 1970s and 1980s, dramatic increases in national savings rates have ensued. Perhaps the demographic change caused the savings change. However, whether or not such savings find their way into productive and job-creating investment depends on many other factors as well. Nevertheless, in the sea of “bad news” about the region’s political economy, it is well to be reminded that not all is bleak.

For the first time in history, many of these youths have received some amount of education. Although the region lags behind other parts of the developing world, school enrollment and literacy have risen dramatically during the past generation. Today most Arabs and Iranians can read and write; this is not yet the case in Pakistan, where only two-fifths of adults are literate.

There is considerable variation in education among countries. More than three-quarters of the adults in Iran and Kuwait are literate, while there is between one-half to two-thirds adult literacy in Algeria, Iraq, Libya, Tunisia, Saudi Arabia, and Syria. Only about half or fewer of the adults are literate in Egypt, Morocco, Sudan, and Yemen. But even in Egypt, a laggard in this respect, virtually all children attend school. School enrollment has exploded throughout the region, though the pattern has been uneven and there is still a huge gap between girls and boys. Most boys were in school long before their sisters. In Algeria, Egypt, Jordan, Lebanon, Libya, Syria, and Tunisia, nearly all children attend primary school, and roughly 60 percent of all adolescents are enrolled in secondary school. In Saudi Arabia, all boys are enrolled in primary school, but only 75 percent of girls are in school. In the least developed countries, most girls do not attend school. In Sudan and Yemen, for example, nearly all boys are enrolled in primary school, whereas only 40 percent of girls attend. In Morocco over one-third, and in Oman roughly one-fourth, of girls are not in primary school. Despite the appalling waste of human resources such undereducating of women represents, the past generation has seen an educational revolution throughout the entire region.

Certain points should be noted. First, the gap in education between girls and boys may be a factor in the current popularity of radical Islam.<sup>7</sup> A rather hopeful view argues that Islamic radicalism’s relentless focus on rigid gender segregation is something that only the current generation will experience. In the past,

neither men nor women were educated; in the future (and the future is now, in Iran), everyone will be at least marginally educated.

Second, rapidly spreading education is part of the social background of what has been called the “crisis of authority” in Islam.<sup>8</sup> How is it that any engineer can issue his own *fatwa* when in previous centuries such pronouncements were the exclusive prerogative of a small, relatively privileged elite of traditionally educated Islamic scholars (the *’ulama*)? The widespread diffusion of education, in conjunction with the absence of hierarchical controls on religious edicts in Islam (in contrast to, say, Roman Catholicism), is creating a “religious anarchy” that provides the cultural space in which radicals can promulgate and advocate their messages.

Third, the quality of education leaves much to be desired. Education in the region stresses rote memorization, with little emphasis on analytical thinking and problem solving. Expectations have been raised, but the skills needed to meet those expectations have not been imparted. Millions of young men now have enough education to make the old, dirty jobs unsatisfying but have not acquired the skills needed to perform successfully in the modern, hypercompetitive, global economy.

Fourth, thanks to past birth rates, the Middle East has the most rapidly growing labor force in the world; between 1990 and 1998 it grew at 3.4 percent per year. Algeria’s labor force is growing at 4.9 percent a year, Syria’s at 4.8 percent, and Yemen’s at 5.6 percent. Compare this to the labor force growth in the European Union of 0.4 percent per year during the past decade, and the American labor force at about 0.8 percent. In other words, the labor force in the Middle East is growing four times faster than the American labor force and eight times faster than the European Union’s. Although the rate of growth attributable to past population growth will decelerate in some countries, such as Tunisia, during the next ten to fifteen years, declines in fertility are always accompanied (plausibly, largely caused) by an increase in female education, which enables women to enter the labor market. It is highly unlikely that the growth of the supply of labor will decelerate within the medium term.

At the same time, the demand for labor has grown sluggishly. Simple economics tells us that given such a mismatch between the growth of demand and of supply, either wages will fall, unemployment will rise, or (most likely) some combination of both will occur, the precise mix varying with specific labor market structures. Government policies have not only reduced the rate of growth of demand for labor but also fostered inflexible labor markets. Decades of government job guarantees for graduates have induced students to seek any degree, regardless of its contribution to productivity. Governments cannot now provide the necessary jobs, and statist policies impede private-sector job creation.

Current levels of unemployment are high (table 3) and will probably worsen. In some countries the level of unemployment has been similar to that in the United States during the worst days of the Great Depression. Real wages have stagnated for nearly a generation, and poverty levels have either remained about the same or increased during the past decade. Unemployment and low wages

**TABLE 3**  
**UNEMPLOYMENT IN THE MIDDLE EAST:**  
**A COMPENDIUM OF ESTIMATES**

Country	Unemployment Rate (percentage)	Remarks
Algeria	30	1999
Egypt	12 <sup>a</sup>	2000
Iran	20–25	2001
Jordan	15	Official rate. CIA gives 25–30 (1999)
Lebanon	18	1998
Libya	29	2000
Morocco	15–22	2000
Saudi Arabia	14–18	Higher among graduates
Syria	12–15	1999
Tunisia	16	1999
Yemen	35	1999

a. Some estimates show 20.

Source: for Saudi Arabia, U.S. Embassy, Riyadh, *New York Times*, 26 August 2001; for Iran, Eric Rouleau, *Le Monde Diplomatique*, [www.en.monde-diplomatique.fr/2001/06/05iran](http://www.en.monde-diplomatique.fr/2001/06/05iran); for all others, MEDEA Institute (European Institute for Research on Mediterranean and Euro-Arab Co-operation), and *CIA World Factbook*.

primarily affect young, uneducated urbanites, whose anger is fuel for political unrest.

As usual, conflicting estimates of the “extent of poverty”—an inherently subjective concept—exist. One rather sanguine view is that of the World Bank, which holds that, compared with other regions of the developing world, the Middle East and North Africa collectively have “relatively limited” poverty.<sup>9</sup> The number of poor persons—defined as those with yearly incomes of less than a “purchasing power parity” figure of \$365 per year—is given at 5 percent, and the depth and severity of poverty is low. Many observers have objected to this analysis on the grounds that it set the poverty line too low relative to per capita incomes.<sup>10</sup> From a political perspective, what counts is the social definition of poverty. Poverty is inevitably partly relative. Poor people in Egypt, Jordan, or Algeria do not compare themselves with the poor in Bangladesh or Madagascar;

they feel “poor” relative to their fellow Egyptians, Jordanians, or Algerians. It follows that higher estimates of poverty are more politically relevant.

What are the political consequences of poverty? It provides a fertile recruiting ground for opponents of regimes and therefore poses a challenge to governance, in at least two ways. First, some of the poor, particularly the younger ones with limited education, join violent opposition movements. Today’s basic profile for a violent militant is a young man with some education who may also have recently moved to the city. Such young people are often unemployed or have jobs below their expectations. In North Africa they are colorfully known as the *hetistes*, “those who lean against the wall.”<sup>11</sup> Evidence from Egyptian arrest records suggests that many of those arrested for violent activities against the regime come from shantytowns surrounding large cities, usually the poorest urban areas in the country. It has been argued that the rise of Islamic radicalism in Central Asia is related to the problems of youth unemployment.<sup>12</sup>

The violent opposition toward the government in Upper Egypt during the past two decades is also related to poverty. The *Sa‘id* (Middle and Upper Egypt) is the poorest region in the country. As elsewhere in the country, poverty has been rising there in the past ten years, thanks to the collapse of unskilled wages. Whereas real wages rose over 350 percent in real terms from 1973 to 1985 (largely due to emigration for work in the Gulf states), the decrease in regional oil production and the war with Iraq led to the return of many of these economic migrants. Such forces have brought wages down by over 50 percent for unskilled workers. As *Sa‘idis* began moving into the cities, the problem of Islamic radicalism appeared in more visible locations—Egypt’s major cities.

The creation of jobs is particularly difficult since the remedy in the long run will likely worsen the problem in the short run. The demand for labor has grown slowly because output growth has lagged and because of specific policy biases against labor-intensive, job-creating growth. Statist policies not only retard growth but raise the capital intensity—and reduce the job-creating impact—of whatever growth does occur. Changing these policies would require laying off workers in state-owned enterprises and the bureaucracy, a move that frightens many government leaders.

#### NOT BY BREAD ALONE

The unemployment problem is the most politically volatile economic issue facing the Middle East. It encourages many relatively educated, young, urban residents to support radical Islamic political movements. Yet we must be cautious here, for the “youth bulge” and rampant unemployment are at least as severe in sub-Saharan Africa, but we hear little of Congolese international terrorism. There are many complex cultural forces behind Islamic movements; no

economic determinism is implied here. To understand how and why discontent spawned by unemployment takes a specific political and ideological form, we cannot rely alone on demography and economics. We must also look at political structures and ideological environments.

The Ayatollah Khomeini is reported to have said, “The revolution is about Islam, not the price of melons.” Deeper issues of identity and legitimacy are at stake. For example, it should be remembered that although unemployed, frustrated young men can turn to Islamism, they can also turn to drugs and crime, to apathy, indifference, muddling through, dogged hard work, or any number of other personal “coping” strategies. The decision to join a revolutionary movement is an idiosyncratic and deeply personal one. Socioeconomic contexts may be important for understanding these movements, but they hardly provide a complete explanation for them. Nevertheless, the huge numbers of discontented young men and women are a major threat to the internal stability of the Middle East.

Youth politics always and everywhere focuses not merely on material goods but also on questions of identity, justice, and morality. Consider, for example, the politics of the American “baby boomers” of the 1960s. Impatience and Manichean thinking are among the burdens of youth politics, whether in Berkeley or Cairo. Also, as criminologists point out, resort to violence is overwhelmingly a phenomenon of youth. The millions of unemployed and underemployed young men gathered in the specific political and cultural milieus of the region constitute one of the tangled roots of radicalism.

### THE JUNGLE OF THE CITIES

The discontent of these young people is exacerbated by the fact that most of them now live in cities—cities that are crumbling. The number of Middle East urban dwellers has increased by about a hundred million in thirty-five years. Roughly half the population now live in cities, and the number is expected to rise from 135 million to over 350 million by 2025. From 1985 to 1990 the greatest growth was in secondary cities (6 percent), compared to that (3.8 percent) of the nineteen largest cities with populations of over one million in 1990. This trend continued throughout the 1990s. Public services and utilities are already overwhelmed. In Jordan and Morocco, for example, one-third of the urban population lacks adequate sewerage, and water supplies are often erratic. Governments that attempt to provide these services through heavy subsidies only strain their budgets and thwart the investments needed to extend and improve what exists. As a result, regimes lose their legitimacy in the minds of those who spend much of their time thinking about what they see.

Rapid urbanization erodes the government’s legitimacy in at least two ways. First, it strains the infrastructure and budget. The government’s perceived

inability to provide housing, sewerage, potable water, and garbage collection raises doubts about its fundamental purpose. Second, the process of migration to the cities is always disorienting. Whether in Ayacucho or Asyut, the mixture of rural-urban migration with discontented provincial intellectuals proves to be highly toxic (if not yet fatal) to existing governments. The newly arrived migrants provide fertile fishing ground for Islamic militants, particularly when the migrant cannot find work and the (allegedly) decadent mores of the cities shock his sensibilities.

Consider Karachi, Pakistan. This city has grown from a population of one million at the time of the nation's independence to eleven million today, and it may grow to twenty million by 2015. Its managers are overwhelmed, as are its systems that provide water, electricity, transportation, health care, and education. In the slums, there is only one place that is cool when outside it is hot, clean when outside it is filthy, and calm when outside there is chaos—the mosque. Government policy has played an important (if negative) role here. Government incapacity and the resulting “abandonment of public space” to private Islamic schools, clinics, hospitals, and welfare agencies have done much to advance the fanatics' cause.

Some may object that (as far as one can tell) most of those responsible for the crimes of 11 September were privileged and educated. This, however, is entirely to be expected. George Orwell once quipped that “revolutionaries can always pronounce their aitches.” Revolutionaries are often, even typically, from relatively privileged backgrounds. Lenin was no *muzhik*, and Mao Tse-tung was the son of a rich peasant; yet the political and economic conditions of Russia and China when they were young profoundly shaped their opinions and ideals. People who knew Mohammed Atta (one of the 11 September hijackers) in Germany heard him speak of the “fat cats” running Egypt. It is no surprise that the “shock troops” of a revolutionary movement are educated and privileged. It would be quite ahistorical, however, to argue that their existence—or their appeal—is independent of the social conditions of their societies. Monocausal explanations of complex historical phenomena are always foolish.

It is also worth remembering that radicalism reaches far wider than al-Qa'ida. Movements in Algeria, Egypt, Palestine, Pakistan, Yemen, Central Asia, and Southeast Asia include many diverse actors.

#### A HISTORICAL ANALOGY

The fanatics of al-Qa'ida display a close resemblance to the nihilists and other terror-prone, would-be revolutionaries of nineteenth-century Russia, as described by the Hungarian writer Tibor Szamuely: “The Russian intelligentsia was a social stratum composed of those politically aroused, vociferous, and

radical members of the educated classes who felt totally estranged from society. . . . The alienation of the intelligentsia from society was to a great extent inherent in the country's rudimentary social structure. . . . [U]nlike the West, Russia had no interest groups capable of giving strength, support, and substance to the intellectuals' protest. . . . The Russian intelligentsia had neither a place nor a stake in the existing order of things."<sup>13</sup> Szamuely goes on to say that just as the educated young men who piloted planes into the World Trade Center could easily have found well-paying jobs, there were considerable opportunities within the tsarist bureaucracy for men of talent. However, like the al-Qa'ida *mujahidiin*, many Russian intellectuals chose to spurn that path. "The *intelligent* . . . himself rejected the idea of serving a system founded on injustice, oppression and misery."<sup>14</sup> That is to say, ideas matter, and ideas are not formed in a socioeconomic vacuum.

Further similarities emerge. For example, in nineteenth-century Russia, as in the past generation of the Muslim world, there was a dramatic expansion of universities, whose doors opened for the first time to less privileged young men, often from rural backgrounds. "[After the Crimean War,] there was a marked shift in the social composition of the student body in the universities. . . . [I]t came to be made up more and more of so-called *raznochintsy*, 'people of diverse rank': sons of clergymen, peasants, petty officials, army officers, artisans, and tradesmen who had become divorced by virtue of their education or inclination from their fathers' social station and could no longer fit into the official estate system."<sup>15</sup> In a manner that Szamuely finds "very understandable," instead of feeling gratitude for the opportunity for upper mobility the "student-*raznochinets* brought with him a deep sense of the injustices of Russian life . . . [that] rapidly turned into hatred of the existing order."<sup>16</sup> Szamuely also notes that the intolerant utopianism of the student revolutionaries was a mirror-image of the violence of the tsarist state. Here too there are important parallels in many Muslim countries.

### THE FAILURE OF GOVERNMENTS

The incompetence and authoritarianism of many Middle East and Muslim governments represent vital sources of the phenomenon of Islamic radicalism. These governments are overwhelmingly unelected, unaccountable, and corrupt. They provide no legitimate outlets for the discontentment of youth. Unsurprisingly, the young despise them. The old ideologies of these governments, largely varieties of nationalism, are perceived as failures. They have delivered neither material goods nor a sense of dignity at home or abroad. The half-century-long failure of Arab states to resolve the Palestinian situation and the inability of Pakistan to ease the lot of Kashmiri Muslims have contributed to the evident

corrosion of the regimes' legitimacy. Nationalism has not disappeared; it has been assimilated into the Islamists' discourse.

Governments are rightly faulted for their dismal economic performance. During the past twenty years, the Organization for Economic Cooperation and Development (consisting of thirty countries) has seen its members' per capita incomes rise at about 1.4 percent per year. East Asia (excluding Japan) has, of course, grown much faster, at 5.8 percent per year—a rate that doubled per capita incomes in twelve and one-half years. Even Latin America, with its notorious “lost decade” of the debt-ridden 1980s, saw per capita incomes rise at just under 1 percent per year during the past two decades. In contrast, per capita incomes in the Arab states today are little different from what they were in 1980; some analysts would argue that their per capita movement has actually been negative, which is clearly the case in Saudi Arabia. Real wages and labor productivity there are about the same as in 1970.<sup>17</sup> This performance is worse than that of any other major country in the world, except for the countries of the former Soviet Union; even sub-Saharan Africa has done better.

The reasons for this woeful record are well understood. A combination of vast economic rents, authoritarian and centralizing states, and the fashion for import substitution in the third quarter of the twentieth century generated inward-looking political economies dominated by the state. Dismantling such structures has proved difficult, and the process of economic reform has often been tentative, dilatory, and slow. It is for this reason that the demand for labor has grown slowly while the supply has soared. Government economic failure is the other “blade of the scissors,” producing unemployment, falling real wages, and stagnant per capita incomes.

#### WHAT IS TO BE DONE?

How can the United States reduce the appeal of the utopian fanatics? It should approach the problem with considerable humility. Take the economic crisis. A strong case can be made that the economies of the Middle East have failed because of institutional and political deficiencies. Outsiders can do very little to promote institutional change, as the United States learned to its dismay in Russia and elsewhere. The deep cultural crisis of contemporary Islam's confrontation with modernity can be resolved only by Muslims.

The Middle East has been slow to embrace the international consensus (the “Washington consensus”) on what policies should be adopted to improve its economic management. Washington's view holds that only a private-sector, export-oriented economic development strategy has a chance of coping with the challenges facing the region. This view is best articulated by the World Bank and the International Monetary Fund.<sup>18</sup> However, there are many other

adherents, particularly in the U.S. government and American academia and think tanks.

No one has formulated a policy mix for the Middle East more persuasive than that of the Washington consensus. The usual recommendation is to push the regimes harder to “reform their economies.” Although the consensus may be the best available strategy, it too is likely to fail. This may be especially true for the very poor nations and the relatively rich states of the Gulf Cooperation Council (GCC).

For the poorest countries, on the consensus view, exports are highly unlikely to provide either adequate food (this is an increasingly serious problem) or a sufficient number of jobs. The domestic productive capacity has been (and is being) damaged by population growth and property-rights issues (e.g., groundwater), and natural-resource degradation may have gone so far as to be difficult to reverse. Further, because of the growth of the labor force, the provision of jobs via the “private-sector-led export model” is not credible; the infrastructure is too poor, and the labor force is overwhelmingly illiterate. The grim facts are that, at best, economic development in such countries is mainly a “holding action,” designed to prevent further deterioration and a consequent complete breakdown of order. The danger is that a breakdown will lead to the anarchy of a Somalia or Afghanistan, with the concomitant risk of the development of terrorist safe havens.

The Washington consensus does not easily fit the GCC states. The problems there are largely fiscal. The relief that the last several years have afforded appears unlikely to last; the “rent ceiling” of oil given by alternative energy production costs is about twenty-five dollars per barrel. Even at this maximum price, revenue would be short. The large numbers on the expenditure side arise from the perceived need for governments to spend heavily on defense, consumer subsidies, and public-sector job creation. The GCC states have local populations that are thoroughly dependent upon, and expect to receive, a wide variety of consumer subsidies. Their governments’ ability to meet their side of the social contract is doubtful. Most importantly, the large majority of nationals (in Kuwait the figure is 80 percent) are employed by the state. Consequently, shortfalls in government revenue translate quickly into difficulties with employment creation. The private sector is too dependent on state largesse, and too small to take up the slack. Most importantly, the countries of the Gulf have limited comparative advantages in non-oil goods or services. Wage rates, seriously inflated by past oil rents and current consumer subsidies, are far too high to compete in low-wage activities, but skills have not been developed to compete for more sophisticated work.

The orthodox economic growth strategy also faces formidable obstacles elsewhere, where it might plausibly work, such as in the “newly industrializing countries” of North Africa, Egypt, Iran, and possibly Jordan. Here the needed policy shifts may themselves be destabilizing, not only because the necessary changes involve austerity but because challenges face special interests that are major props of regime support and that occupy important, subsidized positions within the bureaucracy. Examples range from East Bank Jordanians to Egyptian workers in state-owned enterprises.

In the long run, the needed changes are also likely to destabilize in another way. Attracting the necessary volume of investment will almost certainly require greater governmental accountability and more transparent rules of the economic game. This is not to say that democracy is needed for growth but only to suggest that it is unlikely that regimes will attract the necessary private capital from their own citizens, or foreigners, if they persist in arbitrary, authoritarian practices. Since there is good reason to suppose that continued authoritarianism is in itself one of the causes for radicalism, and since continued unaccountable governance undermines economic growth, institutional change in the direction of greater participation and enhanced governmental accountability may constitute a key element of long-run stability.<sup>19</sup> The problem is, of course, that the transition from the current situation of authoritarian unaccountability is likely to be a rocky road.

The truth is that outsiders are largely (but not entirely) irrelevant to the process of deep institutional and cultural change that, alone, can ultimately overcome the profound, multitiered crisis facing the Muslim world. The United States can and must refrain from behavior that will provide fuel for fanatical arguments and discourage those in the Middle East who would respond differently to their own societies’ crises. U.S. foreign policy can play a role here. It must also continue to seek a settlement in the conflict between the Palestinians and Israelis. Any resolution will be, to say the least, enormously difficult. However, the United States will not have peace with the young Arabs until that situation is resolved.

The United States also has an opportunity to contribute to change by modifying its policies, especially toward Iran. U.S. energy policies have long been stunningly myopic, and Americans continue to pay at the pump for many a Salafi *madrased* (school).

Regrettably, current indications are that U.S. policies will do little to ameliorate these problems. There is a tendency in current U.S. discourse to attribute the entirety of the problem to cultural failings in the Muslim world and to imagine that military power can tamp down if not resolve complex social, economic, political, and cultural struggles. This is unlikely.<sup>20</sup> Sadly, it appears probable that

both U.S. behavior and regional trends will continue to water the roots of Islamic radicalism.

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NOTES

1. Clement Henry and Robert Springborg argue this point extensively in *Globalization and the Politics of Development in the Middle East* (Cambridge, UK: Cambridge Univ. Press, 2001).
2. Isaiah Berlin, "Notes on Prejudice," *New York Review of Books*, 18 October 2001, p. 12.
3. *Ibid.*
4. For instance, Mahmoud Fandy, *Saudi Arabia and the Politics of Dissent* (New York: St. Martin's Press, 1999), and Quintan Wiktorowicz, "Transnational Salafis and Jihad," *Middle East Policy*, December 2001.
5. U.S. Census Bureau.
6. Jeffrey G. Williamson and Yousef Tareq, "Demographic Transitions and Economic Performance in MENA [Middle East and North Africa]," unpublished paper, Harvard Univ., 1999.
7. Philippe Fargues, "Demographic Explosion or Social Upheaval?" in *Democracy without Democrats? The Renewal of Politics in the Muslim World*, ed. Ghassan Salame (London: I. B. Tauris, 1994).
8. Richard Bulliet, "Twenty Years of Islamic Politics," *Middle East Journal*, Spring 1999.
9. Willem van Eeghen, "Poverty in the Middle East and North Africa," unpublished paper, World Bank, 1995.
10. It is worth noting that the 95 percent confidence interval around the World Bank's point estimates for poverty in MENA is between thirteen and fifty-one. No estimate of the poor as a percentage of the population between 13 percent and 51 percent can be ruled out.
11. A Maghrebi (North African) word that blends the Arabic *heta* (wall) with the French suffix "iste."
12. Ahmed Rashid, *Jihad: The Rise of Militant Islam in Central Asia* (New Haven, Conn.: Yale Univ. Press, 2002).
13. Tibor Szamuely, *The Russian Tradition* (London: Fontana, 1974), pp. 192–4.
14. *Ibid.*, p. 194.
15. *Ibid.*, p. 197.
16. *Ibid.*, p. 198.
17. Gary Hufbauer, *China, the United States, and the Global Economy* (Washington, D.C.: Institute for International Economics, 1999).
18. World Bank, "Claiming the Future: Choosing Prosperity in the Middle East and North Africa," 1995; and International Monetary Fund, "Building on Progress: Reform and Growth in the Middle East and North Africa," 1996.
19. See Graham Fuller, "The Future of Political Islam," *Foreign Affairs*, March/April 2002.
20. This statement should not be understood to imply that military action is necessarily unwarranted but rather that such action is unlikely to be sufficient, and that unless carefully designed and executed, it may easily exacerbate the complex crisis that spawns Islamic radicalism.