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Explaining the Appeal of Islamic Radicals¹

by Alan Richards

Introduction

Why do “Islamic radicals”—including the partisans of al-Qaeda and other followers of Osama bin Laden—enjoy so much sympathy in the Middle East and the wider Muslim world? Understanding such a phenomenon is a necessary (but not sufficient) condition for crafting a strategy to cope with the murderous violence of September 11, 2001. Some analysts—including this one—believe that explaining a large-scale social movement requires a nuanced historical analysis of social, economic, political, and cultural factors.

After the attacks of September 11th, attempts at analysis of any kind were often denigrated as symptoms of cowardice or treason. Pundits and policy makers suggested that to argue that phenomena such as al-Qaeda had social roots was to excuse, or even condone, their apocalyptic actions. As the political scientist Thomas Homer-Dixon pointed out, such arguments are “grade-school non sequiturs”². After all, historians who study Nazism do not justify Auschwitz, and students of Stalinism do not exonerate the perpetrators of the Gulag. Understanding is simply better than the alternative, which is incomprehension. If we fail to grasp the forces behind the attacks of September 11, we will fail to respond wisely.



Egyptian policemen patrol on camels beside the Chephren pyramid in Giza in the outskirts of Cairo Friday, April 19, 1996. Security around tourist sites has increased discretely after a suspected Islamic radical group killed 18 Greek tourists in an hotel nearby Thursday. (AP Photo/Enric Marti)

THIS GLOBAL POLICY BRIEF IDENTIFIES THESE SOCIOECONOMIC ROOTS OF ISLAMIC RADICALISM:

- The multidimensional crisis of the Muslim world
- The rage of the young, a majority of the population in the Middle East, faced with poor prospects
- Increasing poverty and collapsing cities
- Failures of government

A Region in Crisis

The Arab—and the wider Muslim—world confronts today a multi-dimensional crisis. Like any important historical phenomenon, the roots of the current crisis in the Middle East and the Muslim world are profoundly complex and intertwined. The crisis has economic, social, political, and cultural dimensions.

For example, economic failure erodes regimes' legitimacy and fosters an ideological vacuum, as old ideas (e.g. Arab nationalism) are understandably 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 of the others.

The crisis of the Muslim world is simultaneously internal and external. It is internal, because, as we shall see, population growth, failed economic policies, and local authoritarianisms (as well as cultural issues which fall outside the purview of this paper) all contribute to the problem. It is also external: 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 a weak and a distorted integration into the global economy. The failure of local regimes is, in large part, a failure to manage and engage successfully the wider process of globalization⁴. At the same time, the kinds of integration which have occurred—specifically, international migration and the spread of global communications—have themselves contributed to the spread of radicalism. Nor can the problems of governance in the region be understood without reference to outside actors, and to ongoing international conflicts.

Today's Middle East faces trauma and violence which have everywhere and always accompanied the transition from a society inhabited by illiterate farmers, who are ruled by a literate, urban elite, into an urban, mass-educated society with an economy based on industry and services. 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 is often horrifying: World Wars I and II; Stalin's Gulag, and Hitler's Holocaust, or Japanese fascism, the Chinese revolution, the "Great Leap Forward" and its attendant famine, and the Cultural Revolution. 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 our own Civil War. Why should we expect Middle Easterners to do better than Europeans, Americans, Japanese or Chinese?

Any policy which increases the feelings of humiliation of the people of the region is simply throwing gasoline on the fire.

Much of the violence of this transition has been perpetrated by utopian fanatics, a category which includes fascists, Nazis, Leninists, and Maoists—and the followers of al-Qaeda. Like their earlier cousins, today's Islamist fanatics have "imagined a future", in this case the "restoration" of the (imagined) conditions of life in 7th century Arabia.

The Salafi movement

These particularly virulent fanatics are part of a larger social phenomenon, the transnational "Salafi movement". This movement advocates a strict return to the practice of (what they believe to have been) the practices of the earliest Muslims. Their political ideology asserts that such a return will constitute a solution to the many difficult problems facing Middle Eastern and other Muslim societies. As their slogan goes, "*Islam huwwa al-hal*"—"Islam (that is, the Salafi interpretation of Islam) is the solution". Salafis include the followers of al-Qaeda—and the *muwahhidiin* (the "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 our attention to the spectrum of opinions within this movement⁵.

Radical movements have their greatest appeal when the dislocations of the transitions to modernity are most acute. 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. *Any policy which increases the feelings of humiliation of the people of the region is simply throwing gasoline on the fire.*

The Rage of the Young

The utopian fanaticism of al-Qaeda and other groups is nourished by the deep despair of huge numbers of young Middle Easterners, two-thirds of whom are below the age of 30, half of whom are younger than 20, and 40% of whom have yet to reach their fifteenth birthday. 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:

- 1) The population is still growing rapidly, but
- 2) 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% per year. At this rate, the population will double in about 34 years. On the other hand, population growth rates have fallen sharply in the

The Complexity of Muslim Discontent

Muslims who deeply dislike various aspects of the international order, their domestic political system, and/or US foreign policy are a highly diverse lot³. Since at least one of seven human beings is Muslim, how could it be otherwise? This very complexity makes it hugely difficult to generalize, yet generalize we must if we are to identify courses of action that are likely to increase, or decrease, our security. It may also be that the very complexity (and fluidity) of the phenomenon of “Islamic radicalism” contributes to disagreement about the relative weight of various social factors, simply because different analysts are—perhaps unknowingly—discussing different groups of people.

For example, it may be useful to distinguish between the following groups, thought of (perhaps) as concentric circles:

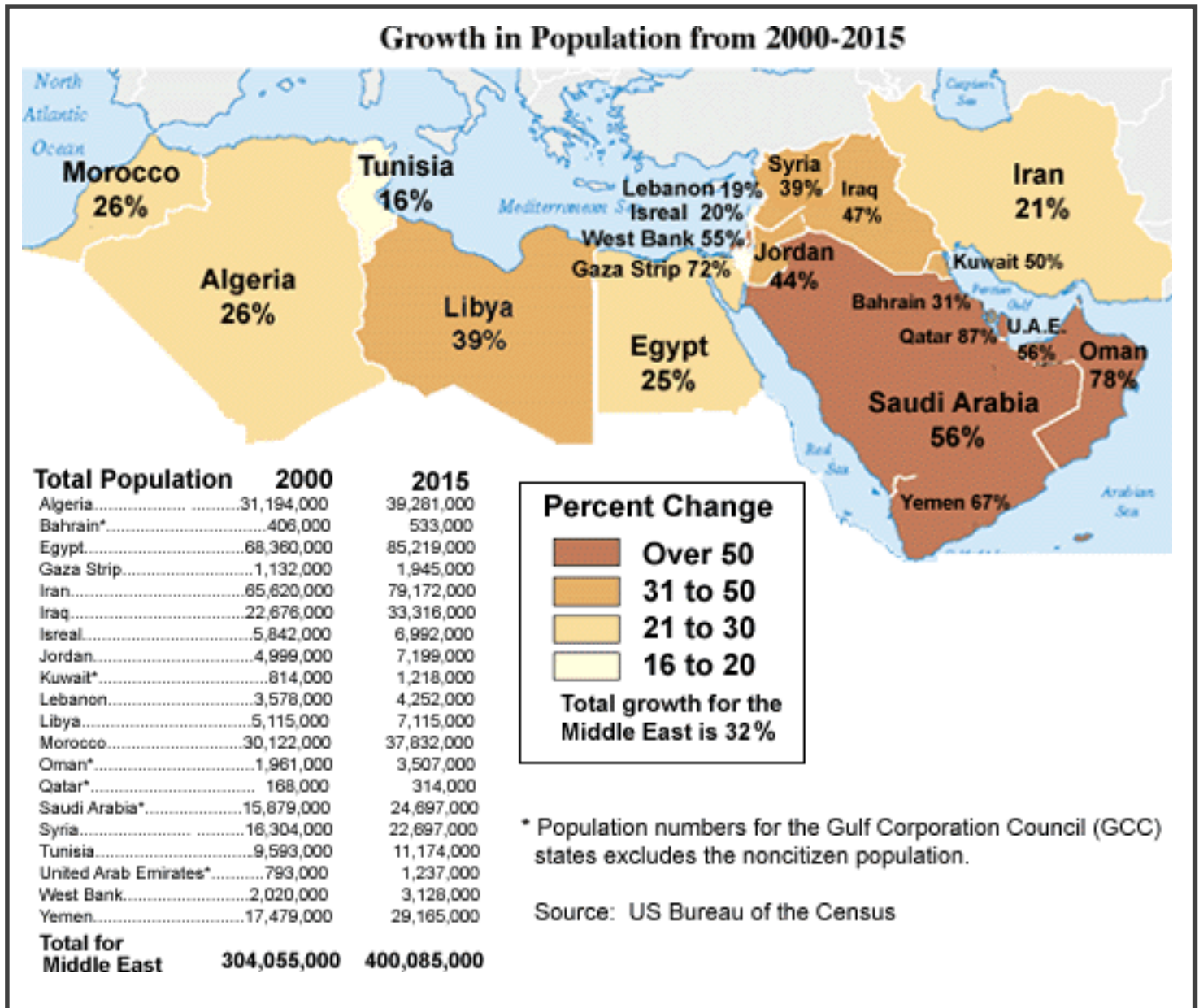
“**Jihadist Salafis**”—such as the followers of al-Qaeda and like-minded local groups,

“**Salafis**”—those who believe that the imitation of the behavior of the Prophet’s closest companions should be the basis of the social order,

“**Islamists**”—a still broader category, which includes anyone who thinks that the precepts of Islam—however interpreted—should be fundamental to the political and social order, and

“**Discontented Muslims**”—people who identify themselves as Muslims, and who are unhappy with their life prospects, with the justice of their societies, and/or with the state of the wider world.

Presumably, the goal of American policy should be to isolate the first group from all the others. This alone would suggest that understanding the social origins of the other groups, and the origins of their discontents, should be a high priority for Americans. Doing so requires us to have some understanding of the vast, multi-dimensional crisis which is unfolding in the Muslim world.



past 10 years (from 3.2% in the mid 1980s to 2.7% in 1990-95 to 2.1% in 2001). Sharp fertility declines caused this change; there are reasons to expect further falls.

This generalization hides substantial variation across countries and regions. 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) and Yemen (7.1) are among the highest in

the world. The Gazan rate is also very high in relation to per capita income, a phenomenon which is also observable in the Arab Gulf countries.

Populations will continue to grow despite falling fertility rates, because fertility remains well above replacement levels and because past population growth ensures that there are many women who will soon enter their child-bearing years (so-called "demographic momentum"). Many countries of the region will experience

considerable additions to their populations during the coming fifteen years. The population of the region may reach roughly 600 million by 2025, some six times more people than in the 1950s. Such growth poses numerous economic challenges, from areas ranging from food and water to jobs to housing.

Several implications follow from this demographic pattern. First, and for our purposes, the *most important, is that most Middle Easterners are young: half of all Arabs, 54% of all Iranians and 52% of Pakistanis are younger than 20 years old.* Two-thirds of Saudis are younger than 25, and two-thirds of all the people of the region are under thirty. (By contrast, only slightly more than one-quarter of the populations of developed countries—US, Canada, EU, A/NZ, and

Japan—are under 20). As Kepel stresses⁶, this age structure first emerged in the 1970s—perhaps not entirely coincidentally, the same decade as political Islam surged.

Second, the rapid fall in fertility may lead to a rapid decrease in the "dependency ratio" (the number of people under 15 and over 65 to the working-age population)⁷. When this has happened elsewhere, as in East Asia in the 1970s and 1980s, dramatic increases in national savings rates ensued. 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 education. Although the region lags behind other parts of the developing world such as SE

Asia, China, and Latin America, nevertheless, school enrollments and literacy have risen dramatically during the past generation. For the first time in history, most Arabs, and most Iranians, can read and write (this is still not the case in Pakistan, however, where only just over two-fifths of adults are literate). As usual, there is considerable variation among countries: more than three-quarters of adults are literate in Iran and Kuwait, while adult literacy stands at between one-half and two-thirds in Algeria, Iraq, Libya, Tunisia, Saudi Arabia, and Syria. Only about half, or fewer, of all adults are literate in Egypt, Morocco, Sudan, and Yemen.

But even in a laggard like Egypt, virtually all children are today enrolled in school.

An Historical Analogy – the origins of terror in C19th Russia

The fanatics of al-Qaeda resemble the "Nihilists" of 19th Century Russia, as described by the Hungarian writer Tibor Szamuely: "The Russian intelligentsia [included] 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...unlike 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."²⁰ Like the al-Qaeda *mujahidiin*, many Russian intellectuals chose to spurn well-paying jobs: "The *intelligent*...himself rejected the idea of serving a system founded on injustice, oppression and misery." That is, ideas matter—and ideas are not formed in a socio-economic vacuum.

Further similarities emerge. For example, in Russia during this period, as during the past generation in the Middle East and wider Muslim world, there was a dramatic expansion of the universities, whose doors opened for the first time to relatively less privileged young men, often from rural backgrounds. Instead of being grateful for this opportunity for upward mobility, the diverse students brought 'a deep sense of the injustices of Russian life...(which) rapidly turned into hatred of the existing order".

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 with the current situation in many Muslim countries.

School enrollments have exploded throughout the region. The pattern has been uneven, particularly between boys and girls. In most countries, most boys were in school long before their sisters were enrolled. Today, however, not only all boys, but all or nearly all girls are enrolled in primary school in Algeria, Egypt, Jordan, Lebanon, Libya, Syria, and Tunisia. Roughly 60% of all adolescents are enrolled in secondary school in the region. In Saudi Arabia, all boys are enrolled in primary school, but only 75% of girls are in school. In the most backward countries, such as Sudan and Yemen, most girls are still not in school. In Yemen, for example, although nearly all boys are enrolled in primary school, only 40% of girls attend primary school. In Morocco over one-third, and in Oman roughly one-fourth, of girls are not in primary school. Despite the vast waste of human resources which such under-enrollment of girls represents, the past generation has seen an educational revolution throughout the region.

Several consequences follow. *First*, some analysts⁸ believe that the gap between girls' and boys' education contributes to the appeal of Islamists and Salafists. In this rather hopeful view, part of the origins of political Islamic radicalism, including its relentless focus on rigid gender segregation, lie in the differential educational levels which only the current generation will experience. For earlier generations, both men and women were largely entirely uneducated. And, in the immediate future (and the future is now in Iran) everyone will be at least minimally educated.

Second, rapidly spreading education is part of the social background to what the historian Richard Bulliet has called the "crisis of authority" in Islam.⁹ How is it, after all, that any engineer can issue his own *fatwa*? In previous centuries, such pronouncements were the exclusive prerogative of a small, relatively privileged elite of traditionally educated Islamic scholars (the '*ulama*'). Today, however, the widespread diffusion of education joins with the absence of hierarchical controls on religious edicts in Islam (in contrast to, say, the situation in Roman Catholicism) to produce the "religious anarchy", that provides the cultural space for radicals to promulgate and advocate their messages.

As Gilles Kepel and others (e.g., Richard Bulliet) have argued, centralizing nationalist states of the 1950s and

1960s contributed to this problem. Earlier, the semi-independence of the 'ulema' allowed them to play a mediating role between arbitrary state power and the populace. Once the 'ulema' were formally incorporated into the state itself, they lost their mediating role along with their independence. Consequently, the "social space" for religious criticism of tyranny was vacated, to be occupied by political Islamists.

Third, the quality of the education received during this explosion has left much to be desired. Throughout the region, education stresses rote memorization, with little if any emphasis on analytical thinking and problem solving. In some countries, much time is devoted to religious instruction: in Saudi Arabia, 30 to 40% of all course hours are devoted to the study of scripture¹⁰. Expectations have been raised, but the skills to meet those hopes have not been imparted. Millions of young men now have enough education to make the old, difficult, dirty jobs unsatisfying, but haven't acquired the skills needed for the modern hyper-competitive global economy.

Fourth, the labor force in the Middle East is growing four times as rapidly as the American labor force, and eight times as rapidly as the European labor supply. Thanks to past population growth, the Middle East has the most rapidly growing labor force in the world (3.4% per year, 1990-98). By way of comparison, the labor force in the EU has grown at some 0.4% per year during the past decade, while the American labor force has grown at about 0.8%. 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 supply, either the wage will fall, unemployment will rise, or (most likely) some combination of both will occur, with the precise mix varying with specific labor market structures. Government policies have not only reduced the rate of growth of the demand for labor, but have also fostered inflexible labor markets. Decades of government job guarantees for graduates have induced students to seek any degree, regardless of its utility in the production, since a degree, by itself, has long been a guarantee of a government job. Governments cannot now provide the necessary jobs,

but statist policies impede private sector job creation.

Several generalizations about unemployment in the region may be made. First, current levels of unemployment are high, and the problem will probably get worse in the near to medium run. In some countries, levels of unemployment are similar to those seen in the United States only during the worst days of the 1930s. Unemployment primarily affects young, semi-educated, urban people, whose anger fuels political unrest. Second, real wages have stagnated for roughly a generation, and poverty levels have, depending on the country, either remained roughly the same or increased during the past decade. Third, stagnant real wages and difficulties finding employment greatly stimulate the desire of the young to leave their country.

For decades, international migration has provided a safety-valve for the pressure on domestic labor markets. Migrants, particularly North Africans, moved to the EU, while Egyptians, Yemenis, and Masraqis sought work in the Gulf during the oil boom years. Three political consequences have ensued:

1) The migrants to Europe have tended to stay. Their children, often called “second-generation migrants” face particularly challenging problems of education, employment, housing, and identity. Quite a number of second-generation immigrant Muslims in Europe have been attracted to *Salafi* and other radical doctrines.

2) Migrants to the Gulf often did return to their home countries, not only richer, but also more socially conservative, associating their good fortune with the Wahhabi customs and outlook where they prospered. In Egypt they are called, “*al-gulfeyya*”.

3) The expulsion of migrants from Jordan, Palestine, and Yemen during the Gulf Crisis of 1990 embittered many, and imposed serious costs on their respective national economies.

Poverty

What is the state of poverty in the region, and what, if any, are its political consequences? Only sketchy data are available on poverty in the Middle East and North

Africa¹¹. Existing information is also quite contradictory, which is hardly surprising. Reasonable people differ sharply over the definition of the “necessary basket of commodities.”

From a political perspective, what counts is the relative, social definition of poverty. Poverty is always and inevitably partly relative: poor people in Egypt, Jordan, or Algeria (and those who sympathize with their plight) 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.

While there are disagreements on poverty headcount levels, something of a consensus is emerging on poverty trends—which is more relevant from a political perspective. Most analysts¹² agree that aggregate poverty rates in the Middle East and North Africa fell during the years of the oil boom (from the mid 1970s to the early to mid 1980s) but started to rise after that. An IDRC report concludes that “the proportion of people living in poverty appears to be rising in most of the region’s middle and lower income countries”.¹³

There are other reasons to believe that, despite the difficulties of definitions and data, the problem of poverty may be worsening in the region. Ali and Elbadawi¹⁴ cite three factors that seem likely to be the key drivers of the rise in poverty. First, unemployment, despite measurement difficulties is not only high, but also rising in many countries. Second, most job creation has occurred in the low-wage informal sector, not in higher paying formal sector employment. And finally, there is much evidence of falling real wages in formal sector urban employment. One might add that in some countries, including Egypt, real wages in agriculture have been falling as well.¹⁵

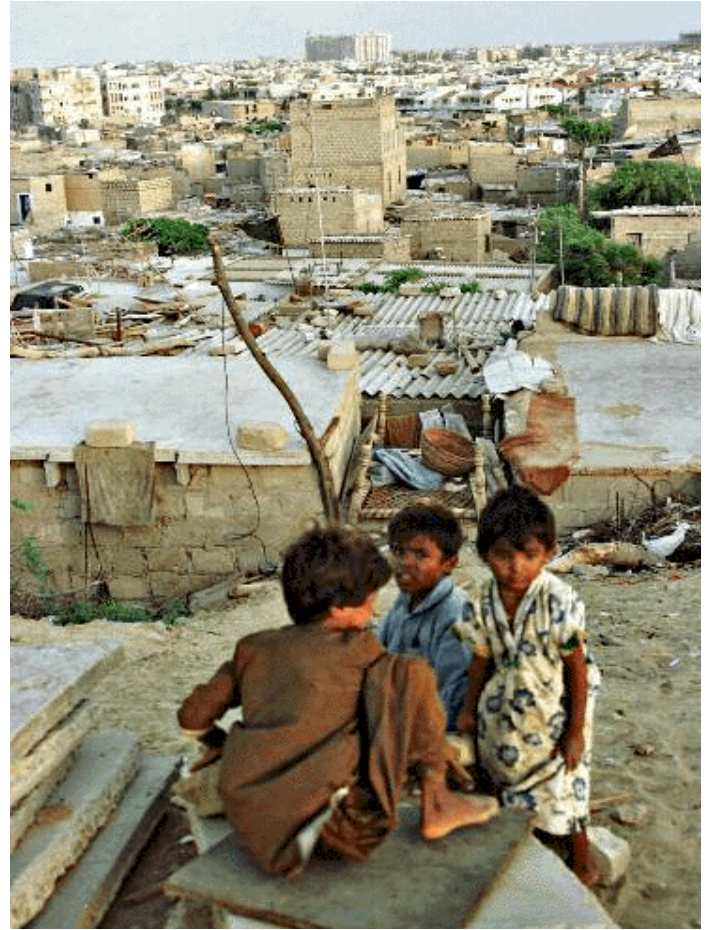
What are the political consequences of poverty? Poverty provides a fertile recruiting ground for opponents of regimes (and therefore poses a challenge to governance) in at least two ways. First, some poor people, particularly younger ones with some (often limited) education, join violent opposition movements. The basic profile for the rank-and-file of today’s violent radical Islamic groups is a young person 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*"¹⁶. Some evidence from Egyptian arrest records suggests that many of those arrested for violent activities against the regime come from the shanty-towns surrounding large cities--that is, from some of the poorest urban areas of the country. Ahmed Rashid has recently argued that the rise of Islamist radicalism in Central Asia is also related to the problems of youth unemployment there¹⁷. Most recently, the alliance of Islamist parties in Pakistan (MMA) attracted poor voters because, as one poor Pakistani who voted for them said, "Nawaz and (Bhutto) just stole from us, the religious parties come from the poor, and they will help us"¹⁸. Even if the parties do not, in fact, "come from the poor", in politics, perceptions are what matters.

The problem of job creation is made particularly acute since the remedy to the long-run problem has, and in many cases will continue, to worsen the problem in the short-run. The demand for labor has grown sluggishly both because output growth has lagged, and also because there are specific policy biases against labor-intensive, job-creating growth. Not only do the statist, inward-looking policies sketched above retard growth; they also raise the capital-intensity--and reduce the job-creating impact--of whatever growth does occur. But changing these policies requires laying off workers in state-owned enterprises and the bureaucracy, a move which frightens many leaders.

Not by Bread Alone

The Ayatollah Khomeini is reported to have said that, "the revolution is about Islam, not the price of melons". Much deeper issues of identity and legitimacy are at stake in addition to those of the "youth bulge" and rampant youth unemployment. For example, we should remember that although young, unemployed, frustrated young men throughout the region 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 a deeply personal, idiosyncratic one. Socio-economic contexts are important for understanding these movements, but



Children play in the slums of Karachi, Pakistan, foreground, with the higher class section in the city visible in the background, July 7, 1997. Almost half of Karachi's 14 million people live in illegal slum dwellings that have neither running water or sewage disposal. (AP Photo/B.K. Bangash)

they hardly provide a full explanation for them. Nevertheless, huge numbers of discontented young men (and women) are a major threat to internal stability throughout the region.

The Jungle of Cities

The discontent of these young people is exacerbated by the fact that most of them now live in crumbling cities. The number of urban Middle Easterners has increased by about 100 million in the past 35 years. Roughly half of the population of the region now lives in cities. The number of urban dwellers is expected to rise from its current level of over 135 million to over 350 million by 2025. From 1985 to 1990, the most rapid growth was in secondary cities--6%--compared with a growth rate of 3.8% for the nineteen largest cities with

populations over 1 million in 1990. This trend has continued during the 1990s. Public services and utilities are already overwhelmed; In Jordan and Morocco, for example, one-third of the urban population lacks adequate sewerage services. Urban water supplies are often erratic. Governments attempt to provide urban services through heavy subsidies. These strain government budgets, and thwart the necessary investments to extend and improve services.

The rapid urbanization of the region erodes governments' legitimacy in at least three ways.

1. First, the rapid growth of cities strains infrastructure—and government budgets. Governments' perceived inability to cope with mundane problems like housing, sewerage, potable water supply, and garbage collection further weakens already strained regime legitimacy.

2. Second, the process of migration from rural to urban areas has always been a disorienting process for many migrants. The disoriented, recently arrived rural migrants to cities provide fertile fishing ground for Islamic militants, particularly when the (allegedly) decadent mores of the cities shock the sensibilities of recently arrived migrants.

3. Third, urban discontent is more politically volatile and dangerous to regimes than rural in the region. Rapid urbanization strains budgets, legitimacy, and governance, while swelling the ranks of regime opponents.

Consider the example of Karachi. This city had one million inhabitants at the time of independence in 1947, but now holds 11 million people, and will grow to perhaps 20 million by 2015. The managers of such cities are completely overwhelmed. The systems providing water, electricity, transportation, health care, and education are all swamped. Meanwhile, the one place in the slums which is cool while the outside is hot, the one place which is clean while the outside is filthy, the one place which is calm where outside is only chaos—is the mosque. Government policy has played an important role here: government incapacity, and the “abandonment of public space” to private, Islamist schools, clinics, hospitals, and welfare agencies, have done much to advance the fanatics' cause.

Some analysts, such as Gilles Kepel, see reasons to be hopeful here. He argues that it was the social disorientation of the first generation of rural migrants to the cities which fueled much of the appeal of radical and other Islamist movements. Arguing that this process is decelerating, he therefore argues that this particular root of radicalism is likely to shrivel over time. This argument has much to recommend it, but unless the above arguments on how dysfunctional urbanization helps radicals are wrong, the deceleration of rural to urban migration (which itself is not a foregone conclusion in all countries) is unlikely to be sufficient to undermine the radicals' appeal in the cities.

“But the September 11th Terrorists Were All Privileged!”

A number of observers¹⁹ have objected that, so far as we can tell, most of the criminals of September 11th were privileged and educated. The social problems sketched above, including poverty, contribute to the existence of Islamic radicalism in several ways.

It is not surprising that the “shock troops” of a revolutionary movement are educated and privileged. Revolutionaries are often, even typically, from relatively privileged backgrounds. Lenin was no *muzhik* (Russian peasant). Mao tse-tung was the son of a rich peasant. Yet the conditions of Russia and China in their respective youths profoundly shaped their perspectives. People who knew Mohammed Atta in Germany heard him speak of the “fat cats” running Egypt. Most people find the presence of widespread poverty and human degradation offensive. We are thinking, reasoning beings: we look around us, and then draw our own conclusions. The presence of widespread socio-economic dislocation delegitimizes regimes in the eyes of those who spend much of their time thinking about what they see, such as intellectuals, journalists, and students.

The Failure of Governments: unelected, unaccountable and corrupt

The incompetence and authoritarianism of many Muslim and Middle Eastern governments fosters Islamist radicalism. These governments are overwhelmingly unelected, unaccountable, and corrupt; they provide no legitimate outlet for youth discontent. Unsurprisingly, these governments are widely despised by their young people. The old, largely nationalist, ideologies of these governments have failed to deliver either material goods or a sense of dignity either at home or abroad. The half-century 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 regimes' legitimacy in the eyes of youth. Nationalism has not disappeared; it has been assimilated into the Islamists' discourse. And, as George Orwell once said, "the nationalism of defeated peoples is necessarily revengeful and short-sighted".

Governments are rightly faulted for countries' dismal economic performance. During the past twenty years, OECD countries have seen their per capita incomes rise at some 1.4% per year. East Asia (excluding Japan) has, of course, grown much faster, at 5.8% per year, a rate which doubled per capita incomes in 12 and 1/2 years. Even Latin America, with its notorious "lost decade" of the debt-ridden 1980s, saw per capita incomes rise at just under 1% per year during the past two decades. By contrast, per capita incomes in the Arab states today are little different from what they were in 1980. Real wages and labor productivity today are about the same as in 1970. This performance is worse than that of any other major region of the world except for the countries of the former Soviet Union.

The reasons for this woeful record are well-understood. A baleful combination of vast economic rents, authoritarian and centralizing states, and the fashion for import-substitution of the third quarter of the twentieth century generated inward-looking political economies dominated by the state. Oil wealth rendered the public purse independent of taxation of the populace: no representation fostered by no taxation. Because oil money flows directly into the public purse, it fosters corruption. The role of the state in the economy was—and remains—unusually large, whether

measured by percentage of output or employment. Dismantling such inherited structures has proved difficult, and the process of economic reform has often been tentative, dilatory, and slow. Sluggish reform combined with continued regional conflict and uncertainty have undermined private investment, whether of locals or of foreigners. Consequently, the demand for labor has grown slowly, while, as we have seen, the supply has soared. Government economic policy failure is the other "blade of the scissors" producing unemployment, falling real wages, stagnant per capita incomes.

What Is To Be Done?

How can we reduce the appeal of utopian fanatics? We need a nuanced strategy combining short-term covert operations against al-Qaeda with medium to long run strategies to undermine the appeal of violent Islamist radicals. Three points about that strategy deserve note:

There are limits of outside intervention;

Existing economic advice can, at best, ameliorate, but not solve, the problem of job creation

Tactics to build democracy will involve disruption, but they should be designed to at least avoid making the situation worse.

We should approach this problem with considerable humility. Take the economic crisis. A strong case can be made that Middle Eastern economies have failed thanks to institutional—and political—deficiencies. Outsiders can do very little to promote institutional change, as the U.S. learned, to its dismay, in Russia and elsewhere. Similarly, resolving the deep cultural crisis of contemporary Islam's confrontation with modernity can only be done by Muslims. Non-Muslim Americans are largely by-standers in this process, as well.

To achieve economic growth, the usual policy recommendation is to push harder for Middle Eastern regimes to "reform their economies": enhance the role of the private sector and engagement in the international economy. However, there are reasons to fear that this policy (known as the Washington

Consensus) is likely to fail. This is especially so for two groups of countries, the very poor nations and the relatively rich states of the Gulf Coordinating Council (GCC).

For the poorest countries, exports are highly unlikely to provide either adequate food security, and, thanks to past population growth, the labor force is growing so rapidly that provision of sufficient jobs via the "private-sector led export model" is simply not credible: infrastructure is far 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 the consequent complete breakdown of order. In addition to the human suffering such breakdowns always bring, the danger, of course, is that the anarchy of a Somalia or Afghanistan provide excellent havens for terrorists and other organized criminals

Nor does the Washington Consensus easily fit the GCC states. The problems here are, in the first instance, largely fiscal. The relief which the last several years have afforded seems unlikely to last: the "rent ceiling", given by alternative energy production costs, is perhaps about \$25 per barrel. Even at this maximum (and relatively unlikely) price, revenue would be short. The imperatives of spending have (at least) three proximate causes: the perceived need to spend heavily on 1) defense, 2) consumer subsidies, and 3) public sector job creation. The GCC states have local populations which are thoroughly dependent upon, and expect to receive, a wide variety of consumer subsidies. Governments' ability to meet their side of the social contract is increasingly in doubt. *Most importantly, the large majority (e.g., in Kuwait, ~80%) of nationals are employed by the state.* Consequently, shortfalls in government revenue translate quickly into difficulties with employment creation. The need for job creation is particularly acute, given the weakness of a "demographic

transition" in the GCC states: mortality rates have fallen sharply, but fertility rates have fallen only very moderately and remain very high by international standards. Past high rates of population growth fifteen to twenty years ago translate into very rapidly growing labor supplies today. The private sector cannot currently take up the slack in employment creation. The sector is a) too dependent on state largesse and b) relatively too small to do so. Most importantly, however, *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 are too low to compete in more sophisticated activities.



Text at bottom reads "Voice message from Osama bin Laden." Al Jazeera satellite channel broadcast 10/6/02 (AP Photo).

The orthodox economic growth strategy also faces formidable obstacles in other countries of the region where the strategy might more plausibly work, in the so-called Newly Industrializing Countries (NICs), like the North African countries, Egypt, Iran, and, possibly, Jordan. Here the needed policy shifts may themselves be de-stabilizing, not only because the necessary changes involve austerity, but also because special interests which are major

props of regime support—and who occupy important subsidized positions within the bureaucracy—face important challenges. Examples of the latter range from East Bank Jordanians to Egyptian workers in state-owned enterprises.

Over the longer haul, the needed changes are also likely to be destabilizing in another way: attracting the necessary volume of investment in the region 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; it is merely to suggest that it is very unlikely that regimes will attract the necessary private capital from their own citizens or from foreigners if regimes persist in their arbitrary,

authoritarian practices. Since there are good reasons to suppose that continued authoritarianism is, in itself, one of the roots of Islamic radicalism,²¹ and since continued unaccountable governance undermines economic growth, institutional change in the direction of greater participation and enhanced governmental accountability are almost certainly necessary if the countries of the region are to achieve stability in the longer term.

The problem, of course, is that managing the transition from the current situation of authoritarian unaccountability is likely to be rocky--and destabilizing. There will inevitably be failures as well as successes.

We can refrain from making things worse. We can, indeed must, avoid actions which provide arguments to the fanatics, and which discourage those Middle Easterners who would respond differently to the crises facing their societies. Here, of course, our foreign policy plays a vital role. We *must* press on with seeking a settlement to the conflict between Israelis and Palestinians. Time may be running out for the only viable solution, a two-state solution. Whatever the difficulties, we have no choice but to try. It is entirely impossible for the United States to have peace with young Arabs and other Muslims until this situation is resolved. We also have opportunities to contribute to change through modifying our policies toward the Gulf and, perhaps especially, toward Iran. Our energy policies also remain stunningly myopic, as we continue to "pay at the pump" for many a Salafi *madrassa*.

Instead of formulating a nuanced policy, combining short-term covert operations against al-Qaeda with medium to long run strategies to undermine the appeal of violent Islamist radicals, the Bush administration has embarked on a policy of messianic unilateral militarism. Whatever the military outcome of an attack on Iraq, with or without UN approval, such a policy will very likely stoke the already intense rage against the US felt by the political actors to whom the future belongs: young Muslims. Sadly, as of this writing, it seems probable that both American behavior and regional trends will continue to nourish the roots of Islamist radicalism.

Alan Richards is Professor of Environmental Studies at the University of California, Santa Cruz. He is coauthor of the book, *A Political Economy of the Middle East*.

¹ I draw heavily here on several previous pieces: "Socio-economic Roots of Radicalism" *Naval War College Review*, LV, 4, Autumn, 2002; "The Political Economy of Economic Reform in the Middle East", Santa Monica: RAND, Oct. 2001; and "At War With Utopian Fanatics" *Middle East Policy*, VIII, 4 (Dec. 2001). I am indebted to Edmund Burke, Graham Fuller, Isebill Gruhn, Paul Lubeck, and Steven Simon for helpful discussions.

² Thomas Homer-Dixon, "Why Root Causes Are Important", *Toronto Globe and Mail*, September 26, 2001.

³ See especially Guilain Denoux, "The Forgotten Swamp: Navigating Political Islam" *Middle East Policy*, IX, 2 (June, 2002), 56-81; Michael Scott Doran, "Somebody Else's Civil War" *Foreign Affairs*, January/February, 2002, 22-42; Quintan Wiktorowicz, "The New Global Threat: Transnational Salafis and Jihad", *Middle East Policy*, VIII, 4 (December, 2001), 18-38; Graham Fuller, "The Future of Political Islam", *Foreign Affairs*, March/April, 2002, 48-56; Gilles Kepel, *Jihad: The Trail of Political Islam*. Cambridge, MA: Harvard University Press, 2002; Daniel Benjamin and Steven Simon, *The Age of Sacred Terror*. NY: Random House, 2002.

⁴ As argued extensively by Clement Henry and Robert Springborg, *Globalization and the Politics of Development in the Middle East*. Cambridge: Cambridge University Press, 2001.

⁵ e.g., Mahmoud Fandy, *Saudi Arabia and the Politics of Dissent*, NY: St. Martin's Press, 1999; and the references cited above in footnote 5.

⁶ *Op.cit.*, p. 66.

⁷ Williamson, Jeffrey G. and Tareq Yousef (1999). "Demographic Transitions and Economic Performance in MENA", unpublished paper, Harvard University.

⁸ Philippe Fargues, "Demographic Explosion or Social Upheaval?" in Ghassan Salame, ed. *Democracy Without Democrats? The Renewal of Politics in the Muslim World*. London: I.B. Tauris, 1994.

⁹ Richard Bulliet, "Twenty Years of Islamic Politics", *The Middle East Journal*, Volume 53, Number 2, Spring 1999.

¹⁰ Eric Rouleau, "Trouble in the Kingdom". *Foreign Affairs*, July/August, 2002, 75-89.

¹¹ The following paragraphs draw on Hans Lofgren and Alan Richards, "Food Security, Poverty, and Economic Policy in the Middle East and North Africa", IFPRI, forthcoming.

¹² e.g., Tzannatos, Zafirios. 2000. "Social Protection in the Middle

East and North Africa: A Review". Paper presented at the Mediterranean Development Forum, March. p. 5; van Eeghen, Willem, and Kouassi Soman. 1997. "Poverty in the Middle East and North Africa," in eds. Ishac Diwan and Karen Sirker. *Voices from Marrakech: Towards Competitive and Caring Societies in the Middle East and North Africa. Selections from the Mediterranean Development Forum: Knowledge and Skills for Development in the Information Age*, Marrakech, Morocco, May 12-17. (<http://www.worldbank.org/mdf/mdf1>); Kossaifi, George F. 1998. "Poverty in the Arab World: Toward a Critical Approach." Paper presented at the Mediterranean Development Forum, September 3-6, Marrakech, Morocco.p.5).

¹³Rodenbeck, Max. 2000. "An Emerging Agenda for Development in the Middle East and North Africa", IDRC (www.idrc.ca/books/focus/930/12rodenb.html).

¹⁴Ali, A.G. Ali, and Ibrahim A. Elbadawi 2000. "The Labor Market and Poverty in the Arab World: Some Preliminary Results". Paper presented at the Seventh Annual Conference of the Economic Research Forum for the Arab Countries, Iran and Turkey, 26-29 October.

¹⁵Alan Richards 1994. "The Egyptian Farm Labor Market Revisited," *Journal of Development Economics*, vol. 43, pp. 239-261; Datt, Gaurav, and Jennifer Olmsted. 1998 "Induced Wage Effects of Changes in Food Prices in Egypt." Washington: IFPRI.

¹⁶A Maghrebi word which blends the Arabic heta (wall), with the French suffix -iste: "one who leans against the wall".

¹⁷Ahmed Rashid. *Jihad: The Rise of Militant Islam in Central Asia*. New Haven: Yale University Press, 2002.

¹⁸Gretchen Peters, "Pakistan Tilts Toward Extremism?" *Christian Science Monitor*, October 15, 2002.

¹⁹E.g., Michael Mandelbaum, Alan Krueger and Jitka Maleckova.

²⁰Tibor Szamuely, *The Russian Tradition*. London: Fontana, 1974.

²¹See, e.g., Graham Fuller, "The Future of Political Islam" *Foreign Affairs*, March/April 2002.



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global@ucsc.edu