

Social justice and sustainable development in Muslim countries

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The 57 countries of the Organization of Islamic Conference represent a very wide range of economic policies, performances and standards of living. They include countries that are amongst the poorest in the world (like Niger and Afghanistan), oil-rich states with standards of living comparable to advanced industrialized countries (Kuwait, Qatar or Brunei), and middle-income industrialized and semi-industrialized countries (like Malaysia and Turkey). The variation in forms of political organization and types of cultures is at least as great. Yet there is a growing perception both within Islamic countries and in the outside world that these countries share some common features and that their prospects of economic development and social reform has something to do with these. It cannot be ruled out that the shared belief systems and perhaps even common features of the organization of religion have played a role in determining the contours of development in these countries. This possibility, in the contemporary context of the so-called 'clash of civilizations', has fed into an emerging Western consensus where Muslim countries are being urged to adopt reforms, and indeed their own internal reformers are urging reforms based on a particular reading of Western history and development experiences. This paper argues why some of the most widely accepted governance reforms that have emerged in the context of this debate might be very inappropriate for the development of Muslim countries. More seriously, these countries may be missing the opportunity to carry out reforms that can draw on their shared histories and cultures and make a difference to their growth trajectories and performance on issues of welfare and social justice.

The contemporary debate about economic development and social justice in Muslim countries has been influenced by a particular reading of Western history and market economics that suggests that the prosperity of the West has been based on the expansion of economic, social and political freedoms that unleashed market forces and creativity. These social and political freedoms in particular, it is suggested, were at least in part based on a gradual separation of Church and state and a secularization of social life and in part on the spread of liberal democracy and individual freedoms. This view of Western history is very deeply rooted. It informs contemporary

judgements about the constraints facing Muslim countries, and the reform priorities that these countries must address. Since some of these features and in particular democracy and individual freedoms are desirable for their own sake, this reform agenda has many powerful supporters within the articulate political classes in Muslim countries. Moreover, like many deeply rooted beliefs, this analysis does have elements of truth, but we argue that the identification of areas of difference that purport to explain the rise of the West relative to the Islamic world misrepresents the challenges facing contemporary Muslim countries. These challenges and opportunities are defined by the experiences of late development in East Asia and elsewhere, which give a very different perspective on the social and political requirements of development and social justice in developing countries. Unfortunately, the reform priorities that are being identified by a growing body of social reformers in Muslim countries, for instance in the *Arab Human Development Report 2004* (UNDP 2005) are overwhelmingly based on the good governance and free market perspectives that dominate the international policy discourse. Not only is this discourse impervious to recent historical experiences of development, it makes no effort to use already existing notions of justice and legitimacy (derived from Islam and other indigenous cultures) to fashion reform agendas for Islamic countries that are more likely to deliver results.

Section 1 examines the conventional wisdom about the role of the reformation in the emergence of capitalism in Europe. This conventional view is based on a particular reading of a historical process but this reading is a contested one. Nevertheless, the conventional reading has provided a powerful inspiration for understanding the developmental constraints facing contemporary developing countries and in particular Islamic ones. Section 2 examines the powerful policy approach derived from contemporary institutional economics and political economy that identifies a series of 'good governance' reforms that are claimed to be necessary preconditions for an economic takeoff. This analysis too is a contested one, but its main conclusions about the constraints facing developing countries has powerful resonances with the analysis of political, social and economic freedoms coming from the conventional reading of the role of the European Reformation. It is not surprising that a growing number of observers have combined the two approaches to talk about the 'Economic Failure of Islam'. We argue that while many of the reforms suggested by these two parallel sets

of analyses enjoy widespread support, including from reform-minded intellectuals in Muslim developing countries, the theory and evidence of development does not support this expectation. From the perspective of the experience of rapid development in East Asia, there does not seem to be anything intrinsic in Islamic culture or history that precludes the mobilization of these societies for rapid development, and even for the rapid achievement of social justice. Nevertheless, Muslim countries are likely to face some common challenges in their attempt to construct states that can accelerate development with social justice, but they are not the challenges identified in the mainstream consensus. Nor are the underlying problems likely to be resolved by the approaches being supported by the international consensus on the reform priorities of developing countries, and in particular of Muslim ones.

Section 3 argues that Islamic countries face some very different and country-specific challenges. First, far from the unification of ‘church’ and state being the problem, many Muslim countries often have to grapple with the consequences of the absence of a formal structure of organized religion. It is widely recognized that the institutional fragmentation of religion in Muslim countries is a problem for organizing social cohesion. This is not necessarily an insuperable problem provided appropriate institutions can be created with this objective in mind.

A second problem that has increasingly emerged in some Muslim countries is a *class divide* between the state, together with emerging capitalists on the one hand, and religious leaders and preachers on the other. Given the professions and economic interests of the two sides, the class divide is often expressed in the form of an ideological struggle between Islam and the West. In Egypt, Algeria and increasingly in countries further afield, preachers from classes excluded from the benefits of growth have dominated the religious sphere and provided a powerful critique of the capitalist transformation. But their millenarian social and economic programme has often left little room for welfarist compromises. The unintended polarization between state and business elites identified with the ‘West’ and an indigenous and millenarian religious opposition is proving to be a powerful hurdle in the path of constructing coherent developmental states in many countries. This too is by no means an insoluble problem, but progress is not likely to be assisted by the types of strategies being promoted by mainstream analyses of the problem.

1. Religion and the Rise of Capitalism in the West

A very widely held view in Western countries and increasingly amongst reformers in Muslim countries is that an Islamic Reformation has become necessary if economic and political progress is to be achieved in these countries. Nowhere is this more strongly expressed than in the *Arab Human Development Report 2004*, written by a broad collection of independent Arab social scientists (UNDP 2005). For obvious political reasons the authors prefer the term Arab renaissance to reformation, but it is clear that what they are advocating is a thoroughgoing reform of political rights to overcome what they describe as the deficit of freedom and governance in the Arab and Islamic world. The authors draw much of their analytical support from the work of Sen (1999) who *defines* development as the achievement of freedom. But they also draw on a broader consensus that the economic development of the west was achieved through the gradual removal of ‘fettters’ on human creativity, freedom of movement, freedoms of belief and so on, that allowed free market capitalism to emerge. This view of development being unleashed by the removal of fetters comes not only from neoclassical economic historians but also from Marxist writers like Dobb (1946) and Sweezy (1950) who disagreed amongst themselves only about the mechanisms through which the fetters on development were removed during the transition to capitalism.

An important part of this reading of history is that the Reformation in different European countries played a critical role in the economic modernization of the West. Religion created a critical set of constraints on beliefs and legitimated the social and economic power of institutions like the Church that held back initiative and constrained the re-allocation of resources. The Reformation initiated the process of separating church from state in Europe, and was instrumental in removing some of the fetters on economic and political freedoms that in turn allowed the rapid emergence of capitalism. In contrast, it is asserted in the new conventional wisdom that Islam not only had a more thorough interpenetration of religion with politics to start with, it also signally failed to initiate any process of separation. The absence of an Islamic reformation explains the relative underdevelopment of personal and social liberties in Islamic countries, and this in turn explains the economic lag between Islamic countries and the West, and even Islamic developing countries from non-Islamic ones.

It is from this perspective that Martin Wolf (2001) could confidently write about the ‘Economic Failure of Islam’ by articulating this common view about the regressive relationship between religion and politics in Islam as opposed to the West. In some versions of this analysis, the failure of the Islamic Reformation has even deeper roots in Arab culture, psychology and philosophy (Said 1991).

However, religion has a complex and contested role in explaining the emergence of capitalism in the West. Many influential and historically rooted analyses contradict the simple view that economic development either followed or was dependent on the ostensible secularization of politics achieved through the Reformation. Weber’s much-misunderstood analysis of Protestantism has often been presented by some neo-Weberians as an argument that capitalism required a secularization of social life and that the Protestant revolution provided this. A more accurate reading of Weber is that he was concerned to trace the ideological roots of instrumental rationality in the organization of monastic life and in the tenets of Protestant teaching (Weber 1930; Collins 1986: 19-44). Far from religion having to be dislodged from the organization of social life to remove the ‘fetters’ it created, Weber was arguing that a *particular* religion played a critical role in setting the background conditions for the development of (for Weber) the most fundamental aspect of capitalism, namely the rational organization of economic life. If *that* was the contribution of the Protestant Reformation, Weber was probably wrong about the distinctiveness of Protestantism. The tenets and organizational practices of many religious traditions could be adapted to provide a similar basis for capitalism, as Maxime Rodinson powerfully argues in the case of Islam (Rodinson 1974: 76-117). The recent development of East Asia and the interest in the role of Confucianism also suggests that Protestantism is by no means unique in allowing the emergence of the instrumental rationality necessary for capitalism to flourish.

But instrumental rationality and individual responsibility are only some of the conditions required for capitalism. The latter requires not just calculating individuals but also a system of property rights (that is inherently unequal in its distribution) and a stable social order. Michael Mann (1986) in his magisterial review of the sources of power in the rise of capitalism points out the role of Christianity in Europe as both an ideological system for constructing a cross-national social order as well as an

ideological system for legitimizing and justifying property rights even as they were becoming grossly unequal. From this perspective, economic takeoff did not have to await the removal of the fetters created by religion. Rather, the takeoff required the creation of a viable social order for economic development and religion played a part in the creation of this social order. Once again, the religious differences between Islam and the West appears to have less explanatory power since Islam played a very similar role in other parts of the world in establishing its own cross-national social order and in justifying property rights in much the same way as Christianity.

However, the historical experience of the Reformation did point out some features that would be different from the experience of later development in Muslim countries. R.H. Tawney (1938) in his pioneering work on the European Reformation showed how, in what was to become the first industrial capitalist economy, the Reformation led to a *strengthening* of the relationship between Church and State. This is obvious in the ‘establishment’ of religion in England and a number of North European states as a direct consequence of the Reformation, a historical fact that runs counter to the popular story of secularization and separation. What *is* interesting is the degree of control that the Tudor state achieved over the Church, and the implications of this control for the resolution of some critical economic and administrative conflicts with the church. The distinctive feature of the relationship between Church and State in England that emerges from Tawney’s work was the ability of the Tudor state to impose its economic and administrative will on the Church while retaining its mobilizing powers for maintaining social order.

The conflicts between modernizing monarchs in early modern Europe and the Church were very specific to the economic context. The most obvious economic conflict between monarchs and the Church was over the vast amounts of land owned by the Church. In the Middle Ages, the Church received over a quarter of all agricultural land revenues in England and in most of Europe (Mann 1986: 379). These assets not only reduced the access of the monarch to revenues but also created a powerful competing political force, often allied to Rome, which could prevent the centralization of political authority in the state. Secondly, there was a conflict between merchants and the Church over the theological acceptability of income from usury in Christianity. Here capitalist accumulation, which was driving productivity growth, did

face obstacles from a pre-capitalist Church-based system of maintaining social order using notions of justice that were no longer appropriate. Finally, there was a conflict between Church and state over their respective jurisdictions when it came to appoint officers to lucrative administrative and judicial positions. In this case, too, territorially defined emerging modern states faced competition from a parallel set of jurisdictions organized around the Church. Thus, the economic interests underlying the ideological conflict between Church and secular social forces were based on radically different ways of organizing production. In all these cases, the conflict between Church and state was settled decisively in favour of the state, but through a process that retained the role of the Church in maintaining social cohesion.

Modernizing states in the contemporary Islamic world face very different issues from the ones facing Europe in the sixteenth and seventeenth centuries. The only common issue is usury, which is being tackled in a variety of ways in contemporary Muslim countries ranging from the careful definition of usury to the innovation of a number of innovative financial instruments based on profit sharing. Nevertheless, while the issues are different, the success of European states in resolving economic and political conflicts with the Church is very noteworthy. Of course, the Tudor success was not immediate and Tudor policies indirectly unleashed a civil war. But the existence of a Church hierarchy and the shared economic and political interests of this hierarchy with that of the state contributed to the eventual emergence of a resolution (with representatives of the church eventually sitting *ex officio* in parliament). In contrast to the English route, the French Revolution set out on what appeared to be an altogether more bloody and definitive rupture between church and state. The tasks of legitimization and the maintenance of social order were taken over, eventually, by the new state religion of republicanism. But in fact even in France the new state drew heavily on and maintained many aspects of the social order that had already been created by Catholicism (De Tocqueville 1998: 96-101).

In the Islamic world too, the conflictual yet symbiotic relationship between religion as a source of social order and the economic and social agenda of modernizing states resulted in two types of responses that roughly parallel what we can describe as the English and French routes. In Pakistan in the sixties or in Malaysia today we find variants of the English route to 'reformation'. In these and other Muslim countries,

states engaged with religious authorities to determine the interpretation of religious law and the limits of the jurisdiction of political and religious authorities. The economic and administrative issues were obviously not the same as in Tudor England, and in particular, control over land and administrative posts by religious endowments do not figure very much at all. However, other issues, in particular the determination of the boundaries of the legislative and judicial domains of state and religious authorities remains a key issue for social stability in many Islamic countries. Here, countries like Malaysia in particular have been quite successful, and Pakistan in the early sixties achieved significant progress in the interpretation of Islamic laws. Nevertheless, the absence of a hierarchy of religious office-holders and the rather large social divide between religious leaders and state elites in many Muslim countries often precluded thoroughgoing reform and the resolution of domains of competence. The important point here is about the institutional process through which compromises are reached and accommodation arrived at between pre-existing social norms and values and the adjustments that have to be continually made as the organization of society changes. If the interpretation of these norms is coming from a group of religious leaders with whom the leaders of the state share very little, and who also have a very limited understanding of the economic and social challenges facing their society, accommodation and compromise is less likely. We will return to this question later.

In contrast, Turkey represents features of the French route but without the protracted (and bloody) social revolution that accompanied it. Perhaps because of that, this route too has had limited success in the resolution of the role of religion in the Muslim societies that have tried it. The exclusion of religion from public life in Turkey appears to have been very effective, but in fact, the separation of religion from public life remains strongly contested from below almost a century after Ataturk's reforms. Nor is it clear that the secular institutions of Turkey enjoy very wide legitimacy as the institutions that can enforce shared social norms and values. Given the limited likelihood of the French route being successfully attempted anew in a further range of contemporary Muslim countries, the simplistic argument for reformation could be turned on its head in the light of a more accurate examination of European and Islamic history. The relevant question for Muslim countries is perhaps not how to increase the distance between religion and the state, but rather how to *diminish* it so

that modernizing Muslim states can set the limits to the legislative and judicial competence of religious authorities in ways that allow economic development with social justice to be accelerated.

2. Good Governance and the Preconditions for Development

Even more than the conventional wisdom on the separation of church and state in Europe, the new consensus on good governance as a set of institutional requirements for development has informed the new consensus on the reform priorities facing Islamic countries. Good governance is a broad set of governance goals that are desirable in themselves, but modern political economy has elevated many of these goals of development into *necessary means* for achieving development. These governance goals include achieving stable property rights, the rule of law, the accountability of public officials, the absence of corruption and multi-party democracy. These governance goals now have a body of theory and evidence arguing that they are *necessary preconditions* for economic and social development in developing countries (North 1990; Knack and Keefer 1995, 1997; Olson 1997; Hall and Jones 1999; Kauffman, et al. 1999; Olson 2000; Bates 2001). A full discussion of the economic theory and the interpretation of the evidence on which these arguments are based would take us too far away from the subject of our discussion. But the essential argument is very similar to the ‘removal of fetters’ logic that we have already come across.

Competitive markets create necessary and sufficient conditions for economic growth by creating incentives and opportunities for the application of creativity, resources and effort in the most profitable areas. But for markets to be efficient, states have to desist from disrupting the level playing field by creating artificial incomes in the form of subsidies, monopoly incomes and other artificial incomes or ‘rents’. Rents destroy the incentives for productive activities because they create incentives for unproductive rent-seeking activities where individuals spend resources and effort in trying to influence the state to allocate rents to them. The state then becomes clientelist and corrupt, responding to special interests that can pay or mobilize politically to capture rents. Corruption not only corrodes the public order; as a form of rent seeking that creates rents, it also undermines economic efficiency and growth. The drivers of market disruption are therefore rent seeking and corruption. These processes damage

the majority and in turn only persist because small groups of individuals can monopolize access to political power. An important part of the reform strategy (apart from direct attacks on corruption and the liberalization of markets) is therefore to promote democratization to challenge the monopolization of power. Democratization, it is claimed though not necessarily correctly, is essential for preventing rent seeking, stabilizing property rights and ensuring a level playing field in the market. The interdependence of these reforms explains why good governance reformers insist that partial reforms will not work and a multi-pronged reform effort is required, pushing liberalization, rule of law and judicial reforms, anti-corruption strategies and democratization simultaneously (Khan 2004).

The evidence in support of these propositions comes from the observation that advanced countries generally tend to have most of the characteristics that good governance theories predict. This is not strictly true as all societies including the most advanced have significant rent-seeking activities. Nevertheless, advanced countries do have a much bigger share of their rent seeking in the form of legal rent seeking as opposed to corruption. On average, advanced countries have lower corruption, more stable property rights, better scores on rule of law and are more democratic. But despite the apparent statistical fit, there are serious questions about the causality behind these observations. Did advanced countries start to develop because they *first* acquired good governance characteristics, or did they acquire these governance characteristics after they achieved high per capita incomes? The remarkable experience of the high-growth Asian countries in the last half of the twentieth century suggests that it was the latter. This is particularly true when we look at the conditions required for making democracy sustainable across developing countries. This evidence suggests that democratization tends to be much more sustainable if the country attempting democratization is already rich (Burkhart and Lewis-Beck 1994; Przeworski, et al. 2000). If so, Muslim countries seeking to achieve good governance characteristics by prioritizing democratization are taking on a task that is eventually very likely to fail. They should rather have looked at the governance characteristics of rapidly growing countries, and tried to understand how these characteristics accelerated the development process in these countries. Indeed, in terms of good governance characteristics, most of the high-growth East Asian economies would have failed the test of good governance just as much as many of the laggards.

Regardless of the confidence with which we can accept the causal mechanisms between good governance characteristics and development, the literature has offered no particular reasons to suggest that Muslim countries would perform worse in terms of these characteristics. The only exception is democracy, where Islam, together with Confucianism and Catholicism has been identified in much of the social science literature as being inimical to democracy (Gellner 1991: 506; Lewis 1993: 96-8). The argument is typically a flimsy one about the balance between individual and collective rights and responsibilities in different traditions. Weber is often invoked in these arguments but without reference to what he actually wrote. This is not surprising as Weber's argument was about the sources of rationality in Protestantism, and not about its support for specific political institutions. Since in terms of the logic of good governance democracy is the linchpin that ensures that rent seeking is controlled and efficient markets and stable property rights are maintained it is important to know what the evidence on democracy across developing countries actually tells us. This is particularly important given that opinion-makers like Wolf (2001) and many others frequently indulge in crude head counts of developing countries to prove that Muslim countries fail the democracy test. In a detailed study of 141 countries over the period 1950-1990, Przeworski et al. (2000) test the hypothesis that Protestantism was more conducive to the emergence or longevity of democracies compared to Catholicism or Islam. Their conclusion is worth quoting in full:

According to our analysis, none of these assertions can withstand scrutiny. Indeed, the only effect of religion that emerges from the statistical examination is that democracies are more likely to survive in countries in which there are more Catholics. Neither Protestantism nor Islam seems to have an effect on the emergence or the durability of democracy (Przeworski, et al. 2000: 126).

Thus, despite the concern with democratization in Muslim countries (including in the *Arab Human Development Report* referred to earlier), they do not seem to have any particular constraints over and above the general constraints on the operation of viable and sustained democracies in poor countries. But more importantly, the experience of rapid development in East Asia tells us that the governance characteristics identified in the good governance approach may not be the most critical ones that developing countries have to try and acquire for accelerating economic and social development.

In sharp contrast to the good governance approach, an extensive alternative literature argues that the success of East Asia was based on significantly different state capacities even if the details varied widely across these countries (some of this literature is surveyed in Khan 2004). The roots of the debate between good governance and ‘transformation’ approaches to development go back to the argument that we came across earlier, according to which capitalism emerged in Europe when the fetters on thinking freely and the fetters on the movement of goods and people began to weaken. This perspective on the development of modern Europe is shared by strands within both Marxist and neoclassical economics and economic history. In contrast, Wood (2002), drawing on the earlier work of Brenner (1976; 1985) and others argued that markets as systems of exchange that created opportunities for trade had existed for centuries without the transformation of production taking off in the way that it did in English agriculture and industry following the enclosures and the expansion of English maritime power. The key that is relevant for our examination of the contemporary context is that the opportunities and incentives created by freedom are often insufficient for rapid social transformations.

Sharp breaks in growth paths have typically been associated with the emergence of new institutional arrangements that create *compulsions* and not just incentives for new ways of doing things. Compulsions could be predominantly market compulsions, as was the case for workers and capitalists in early English capitalism (at least after the primitive accumulation period was over). Or they could be some combination of market and state compulsion as has more typically been the case in late developers where land, infrastructure, natural resources and public subsidies have been prioritized for emerging capitalists but subjected to different forms of discipline to ensure productivity growth. When they are happening, these painful and often deeply contested social transformations cannot accurately be characterized as predominantly emancipatory processes where fetters are being removed and latent potential is being unleashed. However, if the transformation is successful and social productivity increases, it would be quite possible later on to write a history of the transformation as a process of voluntary change. If everyone’s productivity increased and most or even all individuals benefited in the end, it would be at least credible if not entirely historically accurate to claim that everyone had really wanted the transformation and freedom helped them to collectively drive social change in a positive direction. In

fact, the process may actually have been quite different, with many perhaps most perceiving the process as one of market and state-driven compulsion. The two narratives have very different implications for the kinds of state powers and capacities that are likely to prove effective during processes of transformation.

The experience of East Asia directs our attention to at least three processes where state governance capacities were important in ensuring developmental outcomes. The first is in the restructuring of property rights that accompanies any rapid capitalist transformation where new classes of capitalists emerge to control blocks of productive assets producing for profit in the market. This process of restructuring of asset ownership, which Marx described as primitive accumulation, is nowadays rarely driven by the outright theft of land and resources that characterized the early developers (though that still happens too). Instead, states have to manage a more subtle process of land allocation priorities, infrastructure prioritization and other measures to accelerate the emergence of blocks of assets that have the minimum efficient scale to survive against international competition. Whatever the eventual outcome of these strategies in terms of social productivity, the immediate reality is one of winners and losers, of opportunities and compulsions. States that did not have the capacity to manage these processes have enjoyed much slower progress.

Second, and perhaps even more important, states have assisted their emerging capitalists to catch up with international productivity through many different measures. These have included outright subsidies conditional on performance (South Korea), technology licensing and subcontracting of technologies (Taiwan), joint ventures between public sector high-technology industries and multinational companies (Malaysia), infrastructure prioritization for multinationals with requirements of subcontracting to local manufacturers (Malaysia) and other variants. Each of these strategies has required appropriate disciplining capabilities of the state such that the assistance emerging capitalists were receiving was not entirely wasted. Here is yet another component of compulsion, this time affecting emerging capitalists and managers. If state governance capacities fail to enforce discipline on emerging capitalists it is likely that they will not exert themselves to the maximum degree. In extreme cases, subsidies may be wasted, domestic markets may be monopolized by inefficient companies and broader support for the strategy may rapidly ebb away.

Finally, states in late developers could only succeed if they were able to provide social cohesion through redistributions of income and wealth in line with economic opportunities and social demands. Of the East Asian developers, South Korea and Taiwan were very untypical in having internal political structures that did not require much income redistribution for maintaining political stability once early land reform had been achieved. In contrast, Malaysia was a much more typical ex-colony with a powerful indigenous intermediate class whose political aspirations had to be met with internal redistribution strategies. These strategies were very successful in achieving social stability during a difficult transition period. In many other developing countries, Islamic or otherwise, emerging states often failed to achieve political stability despite substantial internal redistribution to powerful groups. Moreover, redistributive agendas also disrupted the state's ability to discipline the allocation of subsidies for catching up in these countries.

From this perspective, the focus on freedom and the opportunities of markets may not bode well for developing countries that have yet to construct dynamic productive sectors. Freedom in particular is clearly an important goal for individuals and for society but greater freedom, on its own, is unlikely to ensure change in the direction of more productive economies in the way that good governance theories assert. Developing countries face the challenge of constructing governance capacities of states that can allow and even accelerate the emergence of a class of capitalists and provide them with the resources they need to acquire technologies that enable them to become internationally competitive. At the same time, states need to be able impose discipline on emerging capitalists through market and non-market mechanisms to ensure that these privileges are not wasted, and productivity growth is rapid enough to be sustain broad based redistribution programmes to ensure social justice as well as political stability.

These are challenges that all developing countries face. Many of the most important constraints facing the construction of developmental states of this type comes from the power of organized intermediate/middle class groups who are most able to organize resistance to attempts to impose disciplinary compulsions that affect them. The strength of this resistance is likely to depend much more on the history of social

organization in different societies, the organizational structures of the intermediate classes, their links with and organizational hold over other classes and groups and so on, rather than with their religion (Kohli 1994; Khan 2000). Thus, it is not at all clear why Islamic countries should face any more sustained challenges in constructing developmental states of this type. Nevertheless, in the next section, we will look at some features of Islamic societies that may create some common challenges and opportunities. But we argue that these are rather different from the reforms of religion and the state that Muslim societies are being asked to confront.

3. Challenges for Muslim Countries

On the face of it, the very strong notions of justice and discipline embedded in Islamic culture (even though it varies considerably across the Islamic world) should have helped emerging developmental states in the Muslim world combine disciplined support for emerging capitalism with a redistributive social agenda sufficient to maintain social solidarity and stability. But features of the institutional and political organization of religion in some Muslim countries may also make developmental transformations more difficult. I will raise two separate questions as topics for further research and discussion.

First, far from the non-separation of ‘church’ and state in Islamic countries being the problem, many Muslim countries, and in particular Sunni Muslim ones often have had to grapple with the absence of a formal structure of organized religion. As religion has been a powerful mobilizing force in most Muslim societies in times of stressful social changes, the absence of a church that could be influenced by the state has hampered the construction of social cohesion in many cases. The fragmentation of the institutional structure has meant that one way of mobilizing different preachers and their followers has often been through the organization of campaigns of purification, very often targeting outsiders or minority sects. Good examples of this are provided by the history of religious mobilizations in Pakistan and Bangladesh where attempts to construct social cohesion have often degenerated into campaigns against minority sects like the Sh'ia or the Ahmadiyas. There are many parallels here with the Puritan sectarianism that ravaged England in the years before the established church was properly organized. This purely institutional problem is not an insuperable one provided appropriate institutions could be created with this objective in mind. Of

course, an established church along the English model would not at all be feasible in Islam, which formally rejects (at least in its Sunni version) a hierarchy of clergy. Nevertheless, there is a parallel tradition of the ruler imposing discipline on the mosques through a number of mechanisms including the sanctioning of the Friday *khutba* or sermon. In countries like Saudi Arabia, these institutions have been used to impose a draconian uniformity on religion. Many Muslim countries happily operate somewhere in the middle. The institutional issue, though potentially serious, would not have been a persistent problem on its own were it not for the next issue that we will discuss.

A second and more intractable problem for the relationship between religion and the state in many Muslim countries is a political one that has intensified in the last fifty years. This is essentially a class divide between the state and emerging capitalists on the one hand and religious leaders and preachers on the other. The roots of this problem go back to the absence of well-endowed churches in Islam. Related to this material fact was the obvious reluctance of members of the ruling classes to make preaching or the organization of religion their profession. There were exceptions, of course, but there was nothing like the European tradition of second and third sons of the aristocracy joining the church. Religious leaders in Muslim countries most often came from very poor backgrounds and were often poorly educated in subjects outside their limited knowledge of religious texts. Religious *waqfs* or endowments set up by the rich as acts of piety provided these preachers a meagre living but not much more.

Preachers in many Muslim countries were therefore at best likely to come from the lower middle classes. Later, when these countries began their attempts at industrialization and modernization in the post-colonial period, the class of preachers and clerics discovered that the social classes that they came from were often the very ones that were largely excluded from the immediate benefits of capitalist growth. Their critique of some of the manifestations of the capitalist transformation, such as corruption, the concentration of power and the loosening of moral codes was not surprisingly often very powerful. But their political and economic alternatives could not but be millenarian ones given their training and background. In Egypt, Algeria, and increasingly in many other Muslim countries, these millenarian goals began to be

defined in terms of a conflict between the decadence and corruption of the West and the purity of the spaces of Islam.

Many developing country states ran into trouble maintaining the pace of economic growth in the sixties and seventies. But in some Muslim countries, the economic, social and political gap between the business and state elite on the one hand and the religious leaders on the other who could easily mobilize mass constituencies, created conditions that could rapidly degenerate into political crises. This was by no means always the case, and indeed, in the more successful Muslim countries the gap was bridged to a greater or lesser extent. But millenarian social and economic programmes often left little room for welfarist compromises. An unintended polarization began to emerge between state and business elites who began to be identified with the 'West' and an indigenous and millenarian religious opposition. The legacy of this polarization is proving to be a powerful hurdle in the path of constructing coherent developmental states in many Muslim countries.

Ironically, at the same time the West was doing its best to undermine the developmental agendas of these countries through a series of ideologically motivated policy interventions, ranging from structural adjustment to good governance reforms. These reforms increasingly associated the leadership of the state with Western aid and influence while dooming them to a high likelihood of economic failure. The consequence was that while these oppositional religious movements did not have any political or economic programmes of their own, they could nevertheless enter the domain of politics because the bankruptcy of some developmental states in the Muslim world was becoming increasingly obvious. The growing incursion of an oppositional religious discourse in the politics of many developing countries often made matters worse by making transparent the growing political alienation of the rulers from the ruled. The declining legitimacy of the state leadership in countries as different as Egypt and Pakistan further undermined any hope this leadership may have had of constructing institutions that could accelerate social transformations by being able to maintain and enhance social discipline. In the worst-case scenario, these tendencies can set off mutually reinforcing feedbacks that continue to deepen the polarization of society till the existing state machinery becomes unviable. The economic impasse as states fail to accelerate development can lead to the legitimacy

of state leaders declining, this can lead to an even lower likelihood of constructing a developmental state and this in turn can attract increasingly inappropriate Western advice and policy priorities, now with conditionalities that can be imposed on countries descending into economic crisis. And so the cycle can continue.

The response to this problem is clearly not the rapid implementation of good governance reforms or a forced implementation of an Islamic Reformation. Neither of these responses would address the roots of the problem and each may actually make the internal fragmentation of some Muslim countries much worse. A viable response would have to take into account country-specific details, but would be likely to include a number of elements. A pragmatic programme of enhancing economic productivity and production has to be the cornerstone of any programme of viable transformation. This requires going beyond, if not abandoning the good governance agenda and developing an alternative set of reform priorities appropriate for the country in question. Note that this does not mean authoritarianism or the suppression of human rights or anything so absurd, but it does mean identifying reform priorities for enhancing governance capacities in critical areas, and these may be very different priorities from good governance ones. The change in priorities is critical because economic viability is a necessary (if not sufficient) condition for maintaining the legitimacy of any state. Democracy, the fight against corruption, improvements in the rule of law and other good governance goals should remain goals for all societies. But to believe that these reforms are the most important priority because they will unleash social and economic development in the way that has been argued could prove to be a dangerous mistake.

If this rethinking of reform priorities could be achieved with the participation of the opposition, including the Islamist opposition, the problem of the declining legitimacy of some Muslim states could also be addressed. State leaderships in Muslim countries like Egypt, Jordan or Algeria (and increasingly other countries like Pakistan) are losing legitimacy not because they are pro-Western but primarily because they are failing to provide rapid and sustained improvements in living standards. The popular opposition to state policies in many Muslim countries can potentially be overcome by combining disciplined institutions of social transformation with rapid and significant redistributions of assets and incomes to achieve feasible improvements in social

justice. None of this is technically impossible even though some of these reforms would be politically very difficult to achieve. Paradoxically, the mobilization of popular forces in favour of justice and against the domination of the west, one of the achievements of the popular Islamist oppositions in many developing countries, may actually make the creation of new developmental coalitions possible in the future. But for that to happen, we must first agree on what the problem is and how best to proceed with solving it.

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