REVIEW ARTICLE

Changing Capitalism in the Arab and Muslim World

The People Want: a radical exploration of the Arab uprising
G. Achcar

Capitalism and Class in the Gulf Arab States
A. Hanieh

Meccanomics: the march of the new Muslim middle class
V. Nasr

As the ‘Arab Spring’ turns into winter, the literature on the causes of the revolts and their aftermath has grown steadily. The general thrust of most books is that the 2011 Arab uprisings exposed the corrupt relations between state and economic elites and other underlying social dislocations in many of the affected states. After the initial hopes that these uprisings would generate a fourth wave of democratization, analysts such as Adeed Dawisha, in The Second Arab Awakening (2013), concluded wisely that the jury is still out on whether the upheavals will lead to democracy or not. It is, however, certain that the Arab uprisings have stimulated a revival in interest in the political-economic foundations of the region’s authoritarian regimes even though lately the interest has understandably shifted to the security threats posed by Islamic State (IS) and other extremist organizations. One approach that differs from the mainstream focuses on the role that capitalism plays in setting internal conditions for the distribution of economic and political power, and how it affects the external conditions that impinge on the sovereignty of the nation-state. This review comprises three books that, from very different perspectives, emphasize the impact of capital on the current state of (some) Arab countries and the Muslim world in general.

The first book, What People Want by Gilbert Achcar of the School of Oriental and African Studies (SOAS, University of London), draws from Marxism to analyse the internal conditions that led to the Arab uprisings. It argues that this approach can better predict outcomes while expediting solutions, which address the region’s fundamental weaknesses and therefore guarantee more durable reforms of the political
establishment. The second book, *Capitalism and Class in the Gulf Arab States* by Adam Hanier, also of SOAS, studies the formation of a capitalist class with a strong focus on interregional capitalist relationships between the Gulf states. The third book, *Meccanomics* by Vali Nasr, Dean of the School of Advanced International Studies of the Johns Hopkins University (SAIS, JHU), looks at a broader underlying movement across the Muslim world that could yet see the region’s fortunes improve without the din of the recent failed uprisings. The approach of this third work differs from the other two but it also tries to elucidate the little known ideational and economic inter-linkages that criss-cross the Muslim world.

Nasr argues that the march of a new Muslim middle class, fired by religious resurgence and not fundamentalism, is creating new economic dynamics that can lead to a revival of the Muslim world through a new type of capitalism. He compares this movement to the effect which the rise of the ‘Protestant ethic’ had on the growth of European Capitalism as depicted by Max Weber in 1905. In Nasr’s words: ‘[A]ll across the region, a whole new economy is rising, mixing local values with surging consumption and building ever richer ties to the global economy, and this trend is not only every bit as powerful and important as the threat of fundamentalism, it is more’ (p. 12).

**Improving the understanding of Arab state capitalism**

Gilbert Achcar provides a radical evaluation of the Arab Uprisings and the continuing interplay of forces which led to, and underscore, the political and social instability of the region. The economic and political discussions in terms of the ‘peculiar modalities of capitalism’ in the region (chapter 2) as well as the ‘provisional balance sheet of the Arab uprising’ (chapter 5) provide an original perspective on the Arab region and his arguments are strong in showing that tension had been growing for some time. Indeed, the UNDP’s *Arab Human Development Report* launched in 2002 had already identified the root causes of the 2011 flare-up, by stressing that it was no longer possible to delay the establishment of a pluralistic, democratic state in the Arab world. Achcar looks at the recent events in the Arab world through the prism of the mixed history of the French and Russian revolutions to underline why the final outcome is unpredictable, though some may baulk at the book’s support for limited, western intervention in the region considering Achcar’s Marxist perspective.

Focusing on the role of capital and class in the Gulf Arab states, Adam Hanieh uncovers the formation of a new capitalist class, *Khaleeji Capital*, whose ownership structure hinges on interregional circuits of capital. He provides a thorough and factual analysis to reveal the origin and development of this class, showing how globalization pressures have contributed to strengthen its formation. A Marxist perspective is used to explain the power structures (and their persistence) in the Gulf States. Hanieh convincingly argues that the geopolitical position of Gulf States plays a central role in underpinning their state systems and interregional cooperation. In this context, the book is informative and relies on a rich literature foundation, which makes it well worth reading for anybody interested in the political-economic foundations of the Gulf States. The author tracks down and pinpoints exact
ownership structures of *Khaleeji Capital* down to the national and conglomerate level, thus providing a refreshing and illuminating approach to the better understanding of a topic which is the subject of much speculation.

In a similar fashion, Nasr’s *Meccanomics* rivets attention on the rise of a new entrepreneurial class in the Muslim world. His assessment and conclusions should cause Western policymakers in the region to review their approaches. While they should keep their eyes on the ball, namely to continue to encourage economic reform and to defeat armed extremism, their methodology and instruments may have to change. So far western governments, particularly Washington, have worked with the region’s government planners and business elites in promoting their policies. They have however overlooked the ‘newer’ class of capitalists whose growth and success is linked to the resurgence of traditional Islamic belief. ‘All over the Middle East’, Nasr observes, ‘piety is shaping consumption’ and a booming economic sector in the region is catering for this ‘exploding’ (p. 14) demand. Islamic consumers, we are further reminded, comprise a sixth of humanity, comparable to the size of China and India.

Nasr does not kid himself or the readers into believing that reform is being energetically pursued in the Muslim world. He believes, however, that change may come from the puritanical religious movements that have emerged in Muslim society in the same manner as the Christian puritans gave birth to European capitalism. This places Nasr’s book at odds with those of Achcar and Hanier – Marx versus Weber?

**Capital, workers and the relationship of production**

Since Gilbert Achcar and Adam Hanieh rely on Marxist perspectives, an interesting question arises, particularly in the light of Nasr’s analysis, as to whether the Marxist view on capitalist exploitation of the labour force can help explain the Arab uprisings as well as the strengthened power structures of the Gulf States. Nasr would subscribe to the notion that new wealth based on the exploitation of mineral resources has strengthened the power of the Gulf States. Achcar applies Marx’s thesis that when ‘the material productive forces of society come into conflict with the existing relations of production … Then begins an era of social revolution’ (Karl Marx, preface to *A Contribution to the Critique of Political Economy* 1859 as quoted in Achcar (2014), p.19). This thesis assumes that the Arab Uprising is a revolution and Achcar provides an engaging discussion of the various labels associated with recent events in the Middle East and North African (MENA) region before he himself decides to classify them as a *protracted or long-term revolutionary process* so as to make clear that the interface between political and socio-economic forces implies that radical change will continue for some time.

Adam Hanieh shows how *Khaleeji Capital* relies on a large, low-wage migrant labour force that supports the ownership structure. These migrants are regularly employed under poor working conditions and are flexible in adapting to fluctuations in labour demand according to the ups and downs of the business cycle. As this labour supply moves in tandem with economic shocks in these economies, those in power do not face risks linked to a general discontent of the working class that can
be experienced in other countries in hard economic times. In this regard, the author refers to the unfolding of the different events in the Arab World in the wake of the 2008 crisis as a case in point.

While the argument that exploitation led to the demise of some Arab regimes is less clear, Achcar argues convincingly that official statistics have often obscured socio-economic problems, in particular the poverty, inequality and precarity of Arab society. Regional levels of poverty and precarity were not overly high when compared to other world regions (especially Sub-Saharan Africa). However, inequality and unemployment were, especially in the context of youth, female and graduate employment. This implied a particular dynamic which was specific to the MENA countries. This phenomenon, coupled with the patrimonial nature of the state, which is often dependent on rent-taking and imbued with nepotism and crony capitalism, then combined with socio-economic disequilibria to create the modalities that fettered the region’s development and exasperated inequality further, which, in turn, stoked the discontent which led to the Arab Uprising. In the case of the Gulf countries, Hanieh describes how the intrusive role of the state in deploying capital ownership and welfare rewards based on a narrow definition of citizenship strengthens the power structures and reduces risks of discontent in the domestic population. Citizens partake in the welfare systems that are in place and access education while taking jobs in higher-end managerial positions and the government sector. Combined with redirected state revenues accumulated from nationalized oil resources, for example in the form of land grants to favoured groups, this partitioning has stimulated the foundations for class formation. However, Hanieh emphasizes that the formation of Khaleeji Capital hinges on “the broader consolidation of capitalism as the dominant mode of production within the Gulf” (p. 68). He clearly outlines the capital circuit that has evolved in conjunction with oil and gas production, placing particular focus on the systematized and institutionalized establishment of strong construction and banking sectors.

**Emerging Arab Capitalism?**

Hanieh provides a detailed description of the fundamental characteristics of Khaleeji Capital, uncovering how combined state and capitalist ties support capital accumulation and growth. In so doing, he presents compelling evidence that enterprises initially formed as investment platforms for financial capital reaped from oil and gas production have developed into successful conglomerates with investment networks in production activities that span the Arab world. These conglomerates, which are often found in the construction and banking sectors, are strongly competitive in world markets. While Hanieh emphasizes the strong links between these conglomerates and the state, he portrays them as being strongly driven by profit-maximising objectives. As his evidence is undoubtedly aligned with the Marxist perspective of capitalism, there is little reason to expect that the increased competitiveness of the Gulf States’ conglomerates on the international scene would work to alter market fundamentals in non-Arab countries. This stands in stark contrast to the views put forward by Nasr, who turns his attention to the
rapid growth of Islamic Banking and Sharia-compliant mutual funds, a vibrant Islamic financial sector, and how this serves to build ties between the Middle East and the global economy. He argues that the growth of this sector, which is still comparatively small by global standards, has other spinoffs that could serve the developed world in many ways. Nasr believes that in the West, where moralism in the efficient operation of markets has little consequence, Islamic Finance could stand out as an example of ethical behaviour, particularly after the 2008 financial crisis, which could help revive principled behaviour in western financial institutions.

A role for Islam in capitalist transformation?

Nasr is mainly focused on the changes taking place in a handful of key countries in the Muslim world – namely Dubai, Iran, Iraq, Pakistan and Turkey – to highlight divergences and similarities in economic and political trends across the region. Those who are convinced that writers, politicians and opinion leaders in the Muslim world tend to be over-obsessed with history will at first glance think that Nasr’s work is of the same mould. But the writer employs a historic approach to shine a light on the root causes of the current problems, ideational movements and economic linkages that bind the Muslim world. Nasr’s analysis covers the most important contemporary issues – secularism, fundamentalism, economic linkages and the future. His analysis starts with Dubai, which Nasr presents as a standing oxymoron of today’s Muslim world, a place where capitalism has taken off in a big way in the midst of puritanical Islamic practice. Dubai is ‘the preferred imagined future – the dreamland – of the Muslim world, the most talked about and most favoured destination for Muslim tourists and businessmen, and where most Muslims claim they would like to live, other than in their own country’ (p. 31). But behind this glitzy image Dubai is still very much an Islamic city – and of the puritanical kind as well. Nasr argues that Dubai has already chalked one huge achievement by managing to install capitalism in the Muslim mindset.

In his work Nasr consistently applies a historical and analytic approach that lends useful insights to a better understanding of the politics of the Muslim world by uncovering certain trends and interdependencies between the countries of his focus as outlined above, which are not immediately apparent to the naked eye. He also identifies general trends such as secularism and fundamentalism that affect the region horizontally with little care for political borders. His historical approach starts with the rise of secularism in Turkey in the period between the two great wars, Kemalism, its deficiencies and the unsuccessful attempts to implement it beyond Turkey. He concurs with the widely accepted conclusion that the imposition of secularism by authoritarian methods has led to a tremendous anti-western and anti-American backlash across the Muslim World mainly because these reforms failed to satisfy public expectations. After showing with solid references to history why secularism/modernization have failed, he turns to the religious revival in the Muslim world and astonishes the reader with the claim that this may hold promise for the future and should not be considered as yet another example of a spiralling decline down the development stairway.
Nasr believes that the future lies in the combined transformative power of a sound education and strong Muslim values, something which can be provided in a very unorthodox manner (from a western perspective) on the model of the much frowned at Madrasah. Education can eventually also convince Muslims to abandon some of the most conservative and retarding practices such as the mistreatment of women. The power of young people, the emancipation of women, the flourishing of the media and entrepreneurship need to be further encouraged in order to attain long-term change. Education is the key to all this. Change brought about by increased economic activity and the accompanying empowerment of civil society could indeed lead to an enlightened political transformation in the Arab and Muslim world. However, would this take the form of a bourgeois revolution, as Nasr leans towards quasi-unreservedly, or class convulsions as the neo-Marxist perspectives of Achcar and Hanieh seem to suggest? Who will bring change in the Muslim world, the oppressed masses or the growing class of new entrepreneurs?

References

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