

### RULERS, RELIGION, AND RICHES

For centuries following the spread of Islam, the Middle East was far ahead of Europe. Yet, the modern economy was born in Europe. Why was it not born in the Middle East? In this book Jared Rubin examines the role that Islam played in this reversal of fortunes. It argues that the religion itself is not to blame; the importance of religious legitimacy in Middle Eastern politics was the primary culprit. Muslim religious authorities were given an important seat at the political bargaining table, which they used to block important advancements such as the printing press and lending at interest. In Europe, however, the Church played a weaker role in legitimizing rule, especially where Protestantism spread (indeed, the Reformation was successful due to the spread of printing, which was blocked in the Middle East). It was precisely in those Protestant nations, especially England and the Dutch Republic, where the modern economy was born.

Jared Rubin is an associate professor of economics at Chapman University in Orange, California. His research on the relationship between political and religious institutions and their role in economic development has appeared in numerous top economics journals.

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# Rulers, Religion, and Riches

*Why the West Got Rich and the Middle  
East Did Not*

**JARED RUBIN**

Chapman University



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*To the loves of my life: Tina, Nadia, and Sasha*

## Contents

<i>List of Figures</i>	<i>page</i> x
<i>List of Tables</i>	xi
<i>Preface</i>	xiii
<i>Acknowledgments</i>	xvii
1 Introduction	1
PART I PROPAGATION OF RULE: A THEORY OF ECONOMIC SUCCESS AND STAGNATION	
2 The Propagation of Rule	27
3 Historical Origins of Rule Propagation	47
PART II APPLYING THE THEORY: WHY THE WEST GOT RICH AND THE MIDDLE EAST DID NOT	
4 Bans on Taking Interest	75
5 Restrictions on the Printing Press	99
6 Printing and the Reformation	119
7 Success: England and the Dutch Republic	149
8 Stagnation: Spain and the Ottoman Empire	169
9 Conclusion	201
<i>Notes</i>	221
<i>References</i>	245
<i>Index</i>	265

## Figures

1.1	Twenty Most Populous Cities in Europe and the Middle East, 800 CE	<i>page 4</i>
1.2	Twenty Most Populous Cities in Europe and the Middle East, 1300 CE	5
1.3	Twenty Most Populous Cities in Europe and the Middle East, 1800 CE	6
1.4	Urban Center of Gravity in Europe and the Middle East, 800–1800	7
2.1	Rulers’ Desires and How They Are Accomplished	32
2.2	How Rulers Propagate Rule	34
2.3	Endogenous Institutional Change	41
3.1	Diverging Costs and Benefits of Religious Legitimation Over Time	56
5.1	Print Cities by 1500 in Western and Central Europe	103
6.1	Welfare Ratios of Skilled Workers in Protestant and Catholic Cities, 1500–1899	121
6.2	Percentage Protestant vs. Real Per Capita GDP, 2010	122
6.3	Percentage Catholic vs. Real Per Capita GDP, 2010	122
6.4	Percentage Muslim vs. Real Per Capita GDP, 2010	123
6.5	Printing and Protestantism in Western and Central Europe	134
6.6	Average Parliament Meetings per Century, Protestant and Catholic Territories	140
6.7	Self-Reinforcing Institutions and the Absence of an “Islamic Reformation”	142
8.1	Spanish and Ottoman Empires in the Sixteenth Century	170
8.2	Real Wage Rates in Spain, 1300–1850 (1790s = 100)	181
8.3	Real Per Capita Agricultural Consumption in Spain, 1300–1850 (1850s = 100)	182
9.1	Middle East and North Africa on the Eve of World War I	202

## Tables

1.1	Economic and Political Health, the “West” and Middle East/North Africa, 2012–2014	<i>page 2</i>
3.1	Largest Empires in World History, through 1750	50
3.2	Ten Most Populous Cities in Western Europe around the Commercial Revolution	65
4.1	Interest Laws in Late Medieval Western Europe	86
5.1	Number of Cities with Presses and Works Produced by 1500, by Country	102
5.2	Biggest Print Cities before 1500	105
6.1	Cities in the Holy Roman Empire (Population $\geq$ 20,000)	133
6.2	Cities in the Holy Roman Empire with Universities by 1450	135
6.3	2SLS Regression Coefficients – Effect of City Characteristics on the Reformation	136
7.1	Population-Weighted Welfare Ratios for Skilled Labor, by Current Country	150
7.2	Total Population (in 1,000s) of Ten Largest Cities, by Current Country	151
7.3	Urban Population Growth during the Dutch Revolt in Holland and Zeeland, 1570–1647	166
8.1	World’s Largest Empires in the Early Modern Period	170
8.2	Per Capita GDP in Five Western European Countries, 1500–1750 (Netherlands 1750 = 100)	171
8.3	Religious Composition of Principal Ottoman Urban Populations, 1520–1535	185
8.4	Religious Composition of Certain Arab Provinces circa 1570–1590	185



8.5	Muslim Population Share in the Sixteenth–Seventeenth Centuries, Select Southeastern European Cities	186
8.6	State Revenues 1550–1559, Annual Averages in Tons of Silver (Total) and Grams of Silver (Per Capita)	187
8.7	State Revenues in the Seventeenth Century, Annual Averages in Tons of Silver (Total) and Grams of Silver (Per Capita)	190

## Preface

I began research for this book in 2004, my third year of graduate school at Stanford University. Conflict between the “West” and the “Islamic world” was one of the enduring stories of the time: 9/11 was still fresh on everyone’s minds, and wars in Iraq and Afghanistan dominated headlines. Not much has changed on this front in the intervening twelve years. If anything, the conflict has heightened. Terrorist attacks around the globe, the spread of al-Qaeda and ISIS, and the devastating Syrian refugee crisis all suggest that many of the West’s political and economic struggles of the foreseeable future will take place in the Middle East.

Understanding the roots of conflict between the Middle East and the West is therefore of first-order importance, and it is the primary reason I wrote this book. It is my opinion that the most important driver of the conflict is the vast disparity in economic fortunes of the two regions. The economic disparity is real; while it is true that a few of the Gulf States gained significant oil wealth in the latter half of the twentieth century, only a small fraction of the population has seen any of its benefits. In any case, this wealth is fleeting; there is little evidence to my knowledge that any of the wealthy oil nations have built anything close to an economy that will stay strong as the world shifts away from petroleum as a primary energy source.

The economic disparity between the “West and the Rest” permitted Western occupation and colonization of the Middle East in the nineteenth and twentieth centuries. This disparity also permitted authoritarian rulers, generally supported by the West, to dominate Middle Eastern politics throughout most of the twentieth century. These outcomes have deep historical roots, and it is the goal of this book to discover and analyze these roots. The arguments laid out are inherently comparative; the causes of what went wrong, if anything did indeed go wrong, in the Middle East are easier to ascertain by analyzing what went right in parts of Western Europe. The

goal of the book is therefore twofold. On the one hand, it provides insight into some of the necessary determinants for long-run economic success. On the other hand, it spells out how and why an economy might stagnate if those determinants are absent.

Upon deeper reflection, the reasons for the vast disparity of economic fortunes between the Middle East and the West are not so obvious. Any account of this disparity must also account for the fact that it has not always been this way. For centuries after the founding of Islam, the Middle East was ahead of Western Europe by practically any metric: economics, politics, culture, and science. The Fertile Crescent was the Western Eurasian economic and cultural hub for most of the high medieval period. At some point, this obviously changed. Almost no scholar I know of would argue that the Middle East was close to the leading European economies on the eve of industrialization in the mid-eighteenth century. After industrialization, what were already readily apparent economic differences were exacerbated many times over. The real questions, then, are: Why did a region that was so far ahead for so long ultimately fall behind? Why did the Industrial Revolution begin in Great Britain instead of, say, the Ottoman Empire?

This book attempts to shed light on the answers to these questions. In doing so it addresses head on the elephant in the room that is all too frequently invoked by Western media outlets and “intellectuals” as an explanation for Middle Eastern problems: Islam. I believe that such claims are ridiculous, but they cannot be simply dismissed offhand without providing a compelling alternative explanation. I provide such an explanation, although it is up to the reader to decide whether it is compelling. My explanation is deeply grounded in economic theory, and it considers the incentives of all the players who may have played some role in the divergence. It is my hope that the reader will come away from this book with a more nuanced view of the role that Islam played in Middle Eastern economic stagnation and, ultimately, conflict with the West.

The argument is hopefully clear about one key point: Islam itself is not the problem. However, economic success *is* less likely to occur where religion plays an important role in politics. But this is not to lay blame on religion in general, either; *any* interest group that has a powerful seat at the political bargaining table but does not have interests consistent with economic growth will play a retarding role in a society’s economy. Historically – for reasons emphasized in this book – religious authorities had an outsized seat at the political bargaining table in both the Middle East and Western Europe. Understanding the process through which this was undermined

in the latter but not in the former is therefore of utmost importance for understanding the long-run economic divergence between the two regions.

This book does not offer a solution for closing the economic disparity between the Middle East and the West. It merely diagnoses the problem and its causes. But just like a doctor must make a correct diagnosis before prescribing treatment, a proper diagnosis of the divergence is essential if we are to understand what political and economic actions could be taken to help close the gap. The diagnosis provided by this book is not based on some simplistic notion of Islam, and this book does not blame Islam more than any other religion for substandard economic performance. It does suggest that getting religion out of politics will be a crucial and necessary step for the Middle East, but even this is not a complete solution.

There is no reason to expect a quick fix in the Middle East; the process of getting religion (mostly) out of politics took centuries in the West. It is also true that context matters, and the economic and political contexts of the two regions are very different. An important difference noted in this book is that Islam is more conducive to legitimizing political rule than Christianity is, a fact that certainly influences the set of changes that are possible in the Middle East. But even if religion is removed from politics, this is only a first step. It matters dearly who replaces the religious elite at the bargaining table. For instance, replacing religious elites with autocrats is almost certainly worse for economic and personal well-being.

The rise and spread of Islamic fundamentalism is likely to be one of the enduring stories of the twenty-first century. The best way to contain it – indeed, the best way to contain radicalism of any kind – is through economic development. Radical ideas, be they religious or secular, are much more appealing when there is little hope for a better future. Such ideas, and the violent extremist tactics employed to carry them out, are a by-product of a world that has been left behind economically. It is my sincere hope that this book takes us one step closer to understanding the sources of such economic stagnation while shedding some light on what a path toward long-run, sustained economic growth might look like in the Middle East.

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This is my first book, and as such it brings together most of the research I have conducted over the past decade. So many people have influenced my thoughts, publications, and career. There is a temptation to thank them all, beginning with graduate school. I will gladly succumb to this temptation; I see no reason to leave out anyone who has influenced me. A caveat, of course, is that so many people had a hand in shaping my thinking that I am sure to miss a few. If this is you, I apologize.

Some of this book comes from work I started in my dissertation, completed in the economics department at Stanford University. A number of my classmates at Stanford – in economics, political science, and the Graduate School of Business – contributed to my thought process at seminars, in class, and late at night over cheap beer. They include Will Tadros, Josh Lustig, Max Gulker, Jon Meer, Ed Van Wesep, Andres Santos, Steve Nuñez, Sri Nagavarapu, Bryan Keating, Gopi Shah Goda, Saumitra Jha, Luz Marina Arias, David Patel, Peter Lorentzen, Ben Ho, Kıvanç Karaman, Ta-Chen Wang, Erik Snowberg, and Lars Boerner. Equally important were the many faculty who helped at some stage in the process with insight and encouragement, including Petra Moser, Gavin Wright, Paul David, and Brent Sockness.

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So many other people have influenced my work through events I regularly attend, especially the Association for the Study of Religion, Economics, and Culture (ASREC) annual conference, Association for Analytic Learning about Islam and Muslim Societies (AALIMS), and Chapman's Institute for the Study of Religion, Economics, and Culture (IRES) graduate student workshop. Since 2010 I have been a board member of ASREC, serving as both Executive Director and Program Chair along the way. I have made a great many friends in the process, but some really stand out, including Robbie Mochrie, Sriya Iyer, Sascha Becker, Dan Hungerman, Chris Bader, Jean-Paul Carvalho, and Mike McBride. I regularly see a great number of people at AALIMS who have helped shape my view on the role the social sciences can play in shedding light on various aspects of the Islamic world, including Cihan Artunç, Lisa Blaydes, Jean-Paul Carvalho, Eric Chaney, Murat Iyigun, Saumitra Jha, Timur Kuran, Avital Livny, Erik Meyersson, David Patel, Tom Pepinsky, and Mohamed Saleh. Regular graduate student workshops at IRES have also introduced me to a number of fantastic scholars. I am indebted to the “regulars” who show up to Chapman every year for our event: Jean-Paul Carvalho, Tony Gill, Mike McBride, Steve Pfaff, and Carolyn Warner. The John Templeton Foundation sponsored these workshops, numerous ASREC events, and various research projects through two grants I was awarded with Larry Iannaccone. Indeed, these grants funded course reductions that allowed me to focus on writing this book. For all of this I am very grateful to the John Templeton Foundation and especially to Kimon Sargeant, who has always been supportive of our work.

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other perks. I was in it because I loved the topic and I felt I had something significant to contribute. Ran never wavered in supporting my research. From the beginning, he advised me to do what I find interesting. Even if it were not the most mainstream of topics, he consistently told me that if done well, others will come around to my view that my research is interesting and important. It has been vital to hear such words of encouragement from a scholar as excellent as Ran. I do not think I have let him down, and I hope he views this book as a testament to that.

I do not know where my career would be without the friendship, mentorship, advice, comments, and encouragement of Timur Kuran. Timur was also on my dissertation committee. Timur's work is one of my primary sources of inspiration, and I think it really shows in this book. From the first time I met him when he was visiting Stanford in 2004, Timur has been a top advocate of mine. I am not sure what I did to deserve this honor, though I will gladly accept it. At every step in my career path Timur has been there with advice and support. It is difficult to put into words how important this has been for me, both for my confidence as a scholar and for providing me with opportunities I otherwise might not have had. Indeed, he is the primary reason this book is being published with Cambridge. He went through numerous drafts of the manuscript in his role as editor. Each draft improved substantially from his comments. Simply put, this book is leagues better than it would have been without Timur's supervision. I am deeply honored to call Timur a collaborator, mentor, and (most importantly) friend.

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