

Moral judgments about the ethical justification of political protest, violent insurrection and even terrorism must presuppose an answer to two positive, empirical and analytical causal questions: First, are the human beings, collective actors and institutions that become targets of violent or non-violent attack causally responsible for the human suffering and deprivations invoked by the agents of protest and insurrection as motivation for their actions? What and who brings about unwanted social consequences against which human beings protest? Second, if the “efficient causes” of human suffering have been identified, are the actions of the insurrectionist “causally adequate” in addressing and remedying the existing state of affairs? And if not, why do actors fight unwanted states of affairs with causally inadequate strategies?

Positive empirical-analytical theory establishes the causal linkages between actors and consequences. Normative theory assesses the justifiability of end states (consequences) and of causally feasible pathways toward them. For example, are current societal mechanisms of allocating scarce resources morally justifiable, given their contribution to the individual welfare or social self-respect of members of society? Are feasible courses of action to correct unjustifiable distributive outcomes morally defensible? Positive social science theory, however, can assist normative deliberations in once critical respect. At least within a mildly rationalistic ethical discourse, sober minds would agree on the following proposition: *Causally inadequate courses of action can never be morally justified*. But positive theory may explain why such actions nevertheless occur.

My paper is concerned only with the positive theoretical questions applied to political regimes in the Middle East and other countries with predominantly Islamic populations. It seeks to throw light on societal deprivations and grievances that create challenges to political regimes in this region. It then examines the strategic configurations of regime incumbents and challengers that may shape their patterns of interaction and political outcomes. International terrorism is a particular move on the part of opponents to established political rule that occurs under identifiable, specific conditions, namely when the regime incumbents have sufficient resources to be intransigent to challenger demands and the challengers themselves are unable to assemble a broad coalition of dissatisfied constituencies.

The empirical core of my paper is a causal account of political tensions surrounding political regimes in the Islamic region with a specific emphasis on Islamist terrorism unfolding over the past thirty years and reaching its hitherto spectacular climax in the attack on the twin towers of New York’s World Trade Center and the Pentagon in September of 2001. As in all causal stories in the social sciences, but many other sciences as well, an explanatory account is probabilistic and constructs a complex interaction of forces and actions that bring about the consequences to be explained. Because of the probabilistic nature of causal relations and the complexity of the social world, social scientific knowledge can retrospectively explain certain events with some plausibility, but *does not lend itself to making point predictions about the future occurrence of particular events*. For this reason, economists and political scientists could not predict the timing and process yielding the collapse of the Soviet Union, although they had pretty good insights into the allocational inefficiencies of a planned economy and the political strains brought about by a repressive polity. Nor can social scientists predict the precise trajectory of a specific stock market bubble or the electoral victory of a particular political party just as little as geologists can predict the precise timing and location of a major earthquake, even if they have a deep understanding of plate tectonics.<sup>1</sup>

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<sup>1</sup> That is why all Western countries closed down their earthquake prediction facilities in the 1980s and 1990s, with Japan the last country to make that step.

In order to motivate the normative-moral relevance of my causal account about social deprivations, political rule and insurrection, let me contrast the theory of “state failure” I advocate in this paper to a stylized alternative account emphasizing exogenous economic and cultural processes. In its ideal-typical simplicity, the alternative may not represent any living political ideologue’s or social scientist’s actual reasoning, but elements of it are implied in many positive or normative discourses about contemporary international terrorism and its justifiability. The stylized theoretical adversary I imagining is a descendant of imperialism theories ranging from Rosa Luxemburg and Lenin to its latter-day incarnation in dependency theories of the 1960s and 1970s and their most recent revival among critics of economic globalization. The essential argument is that socio-economic deprivation in poor and less-developed societies result from and are exacerbated by such countries’ economic, political and cultural interaction with the capitalist West. The capitalist West is the exogenous source of immization in the developing world. In economic terms, global markets for goods, services, capital and human beings, unrestrained by local tariffs on or the national regulation of such cross-border flows, and create asymmetries of exchange that systematically disadvantage the holders of valuable assets in the less developed world. Economic globalization results in changing terms of trade benefiting the advanced capitalist countries and thus fuels poverty, inequality, and political repressiveness of “Third World” predatory regimes that stand in the service of the hegemonic power(s) of the world economic system. Furthermore, economic globalization uproots indigenous cultures and identities and thus provokes a backlash. Islamic terrorism against the West may therefore be one extreme incarnation of an anti-imperialist insurrection with the purpose of unleashing the poor countries’ socio-economic potential while simultaneously preserving their cultural identity and unique normative communities within the domestic socio-cultural fabric.

From this perspective, international terrorism is an extreme strategy to defend an existing way of life, including both economic well-being and the social identity of Third World citizens, against the overpowering forces of world market incorporation, led by advanced capitalist Western polities. Even theories postulating a “clash of civilizations” (Huntington 1996) can be made compatible with a dependency based account of insurrectional activities and terrorism emanating from less developed countries. International terrorism and local civil wars involve a “cultural clash” with the West in which the preservation of traditional religious beliefs provides a critical focal point to fight off a rising external political and economic threat. Unlike modernization theory, where culture tends to be a passive medium of social coordination that is subordinated to and follows economic change with some time lag, the current successors of political-economic dependency and imperialism theories conceive of non-Western cultures as fountains of social identity formation that organize resistance to the imperatives of capitalist world markets.

Against dependency and imperialism theories, as well as a variety of cultural accounts of insurrectional activity in Third World countries, I advance here a theory of state failure. In contrast to simple developmentalist accounts, the domestic quality of governance ultimately affects the nature of political struggles and corresponding regime performance. The development of markets proceeds only if there are non-market institutions in place that make possible, nurture, and preserve free market contracting, thereby lowering individuals discount rates and encouraging savings and investment. Only if state institutions that enable and enforce efficient voluntary contracting are present can globalization proceed and facilitate economic growth. Where political institutions are inimical to economic development, globalization has little chance to do any good. From this perspective, the source of social deprivation, strain and ultimately violent conflict is the absence of state institutions conducive to market contracting. Bad institutions, in turn, coincide with a resistance to or failure of globalization. ***I argue, therefore, that Islamist international terrorism is associated with polities and regions of the world where economic globalization has not taken place because public institutions do not support the development of viable capitalist markets.***

To make this perspective analytically more satisfying, institutions and practices of governance should be accounted for as well. I explore the causal role of four mechanisms in shaping political governance: (1) patterns of property rights and asset control before market development and before and during colonialism; (2) the impact of colonial practices on the governance of contemporary states; (3) natural resource rents in lieu of taxation as prime source of state revenue; and (4) the role of religious doctrines in the governance of societies and in insurrectional challenges to the incumbents. Even under condition of weak or failed political institutions, however, insurrection and international terrorism are not the inevitable, natural political outcome. If challengers to incumbent elites appear, terrorism and its international variant, as currently emanating from the Islamic Middle East, constitute only one among several pathways in which regime conflict may articulate itself. I therefore discuss how political opportunity structures and strategic capabilities of regime incumbents and challengers may translate into different sequences of political interaction. Applied to Middle Eastern Islamist movements, international terrorism is only one, and probably not the predominant response of challenging groups in an environment of failed states and failed globalization. The final sections of the paper speculate about the future course of international terrorism and its development in geographical regions where it has not yet occurred.

The design of my explanatory account follows a simple scheme derived from theories of rebellious mobilization, social movements and revolutions (e.g., Della Porta and Diani 1999; Parsa 2000). For such political mobilization to take place, intense, widely experienced human suffering and deprivation must exist (section 1). For such suffering to motivate mobilization, political ideologues must articulate interests and a broad cultural interpretation that explains to potential activists how deprivations have come about and how to overcome them (section 2). These interpretations can be disseminated to target constituencies only if political opportunities are conducive for political entrepreneurs to overcome collective action problems and build insurrectional organizations. What this involves is a strategic interaction between forces protecting the status quo and those challenging it (section 3). In case of contemporary Islamist movements, this process has led to a splintering of different challenging groups and an isolation of radicals who have resorted to sectarian terrorist strategy (section 4). International terrorism is a sign of the weakness, and not of the strength, of Islamist movements in the Middle East to challenge the regime incumbents (Kepel 2002). The observable dynamic in the Middle East may not be unique, although I do not currently see other places on earth where conditions would fuel an effective international terrorist mobilization (section 5).

## **1. The Primacy of Politics: State Failure and Economic Deprivation**

Economic affluence and growth are the fountains not only of physical and material well-being, but of social integration as well. Widespread material affluence is a necessary, but not a sufficient cause for the absence of intense political struggles. Deprivations imposed by economic distress, stagnation and decline are a principal source of civic strife, rebellions, revolutions, and terrorist activity. Not by chance, therefore, political regimes tend to collapse in times of economic misery (Przeworski and Limongi 1997). But politics is also at the heart of economic growth. I first turn to the linkage between political life and economic success or failure. Then I consider the causes of predatory political regimes that prevent the emergence of a virtuous circle between politics and economic growth. In both respects, I empirically illustrate my arguments with data from the Middle East and the Islamic world more generally, the geographical areas from which international terrorist organizations have emerged most recently. The fact

that this region has produced extraordinary economic grievances, however, is not by itself the cause of international terrorism.

### A. State Power and Economic Development

Taking their lead from Adam Smith, normative liberal political philosophers (Nozick 1973) as well as social theorists (Polanyi 1946) realized that markets are fragile, vulnerable rule-based modes of social coordination that are likely to collapse in the absence of external institutions to enforce rule compliance, above all those of the state. States establish a monopoly over the control of means of coercion, depriving all market participants from the option to resort to violence as an alternative to voluntary contracting as mode of allocating scarce resources. Moreover, states can address a variety of market failures by providing collective goods and preventing collective bads. Such goods/bads include a judicial system, external military protection, safeguards to protect the commons (natural environment) and facilities to enable all members of society to become or to remain competent participants in the market order (e.g. by providing a modicum of education, health care, unemployment and retraining services). This also implies the maintenance of only moderate inequality in the social order, as both extreme wealth and income differentials as well as strong egalitarianism enforced via redistributive mechanisms remove incentives for investment and accumulation.

Whether or not states deliver such goods and services, however, depends on the power and dispositions of the rulers. Market participants would want states that are strong enough to protect and enforce property rights and expedite the process of economic accumulation, but not so strong as to empower the rulers to expropriate the market participants themselves (Weingast 1995). Rulers become predatory, if their power is unchecked and if they have short time horizons (high discount rates) that make the expropriation of current market participants through very high tax rates, followed by weak investments and economic growth, preferable to lower tax rates, followed by strong investment and high growth that would deliver great wealth to rulers in the more distant future. Rulers have high discount rates, when they are under immediate internal or external threat of extinction (Levi 1988). Their discount rates may also be high in the opposite circumstance, if they face no internal or external threat of extinction at all. In both instances, predatory exploitation of the citizenry is the dominant strategy of political incumbents.

The rulers' discount rates and their propensity to predation are lowest, when they face moderate international and domestic insecurity about their own position of rule. Self-enforcing system of institutions that establish checks and balances among power holders establish moderate domestic insecurity and make it impossible for any one of the rulers to create a power monopoly with predatory consequences. Facilities to bring this about are the separation of powers both in functional as well as territorial-jurisdictional terms (federalism). Moderate international insecurity results from organized state systems with a small number of competing states or blocs of states none of which has military supremacy over all the others taken together. Moderate international and domestic insecurity feed upon each other, when in a state system members of each polity have the capacity to exit one state and join another. The threat of exit by its members restricts the predatory capacity of the rulers (Thibout 1956). Before we return to the causes of predatory government, however, let us examine the consequences of predation.

In addition to a very high rate of extraction/exploitation, predatory rule entails the absence of formal institutions in which rulers would make credible commitments to the economic property rights and civic

liberties of their subjects. Access to resources is based on personal connections and relations of loyalty rather than binding rules and laws. Following Weber, Juan Linz calls this regime “sultanism” to indicate the arbitrary and often unpredictable character of rule experienced in the Middle East (Linz and Stepan, 1996; Chehabi and Linz, 1998). Correlates of predatory rule are (1) high levels of corruption; (2) patrimonial and neo-patrimonial resource allocation (clientelism, patronage); (3) low levels of civil service competence and professionalism; and (4) few civil and political liberties. In predatory regimes, government consumptive expenditures are high relative to the economic development of the polity and rates of domestic investment are low, either because the rulers consume so much of the wealth generated and/or capital flight transfers a substantial share of wealth abroad. Predatory furthermore leads to high population growth, net of levels of economic affluence of a country (see Przeworski, Alvarez, Cheibub and Limongi 2000: chapter 5). Because predatory rulers invest little in social infrastructure, such as health care and education, rates of mortality are high and life expectancy is low. Repressive acts of government further worsen the picture. People respond to this insecurity by high fertility rates. A numerous offspring should secure that at least some children grow up to participate in family-based hedging strategies against the adversities of life under predatory governments.

Predatory rule also has implications for the globalization of the economy. It is inimical to trade openness and the free movement of capital. Imports and exports are favorite transaction points at which predatory rulers and their henchmen capture rents. They have to administer capital movements in order to prevent subjects from employing the transfer of resources abroad as a vote of no-confidence in a predatory government. Globalization thus threatens predatory rule and potentially shifts the balance of power in a polity from a small core of rulers to a broader mass of property holders.

There is a sophisticated econometric literature that has established several important consequences of predatory government (for a review until 1999, see Landa and Kapstein 2001). While such results will always remain contentious among economists and political scientists, they are empirically about as robust as any encountered in these social sciences. They confirm the relationships between arbitrary rule, economic growth, inequality, and globalization postulated above.

(1) Predatory rule, as measured by the absence of institutions protecting property rights and nurturing collective goods, depresses economic growth. Bad institutions (traced by indicators of corruption, absence of rule of law, etc.) trump all other potential rival explanations of cross-national diversity in long-term economic growth and they are themselves not statistically endogenous to such other causes or to economic growth itself (Acemoglu, Johnson, and Robinson 2001; Easterly 2001; Easterly and Levine 2002; Rodrik, Subramanian and Trebbi 2002).

This does not imply that democracies create greater growth than all authoritarian regimes, even once we control for the endogeneity problem that either democracies or authoritarian regimes may break down faster when economies decline (Przeworski et al. 2000: chapter 3). Some authoritarian regimes are non-predatory and may in fact deliver better economic growth than democracies because the former offer more certainty to investors than the latter. But many authoritarian regimes are predatory and offset the advantageous economic performance under non-predatory authoritarianism by wretched economic performance under predatory rule. Hence all we may be able to say about the relationship between authoritarian regime, democracy and economic growth is that authoritarian regimes display economic growth patterns that are highly volatile *over time and variable across space*. Among authoritarian regimes, non-predatory types may deliver exceptionally good growth whereas predatory types deliver particularly disappointing economic results. By contrast, democracies have on average no better economic performance than authoritarian polities, but they display less volatility of variance of growth, failing to deliver either spectacular or atrocious economic outcomes (Quinn and Woolley 2001).

(2) Inequality depresses economic growth, especially in interaction with political instability, a common correlate of predatory rule (Alesina and Perotti 1996; Alesina and Rodrik 1994). Because inequality generates pressures for redistribution and thus instability, it tends to lower investment rates. Moreover, high resource concentration makes it difficult to dissipate investment funds. A commonly asserted negative relationship between redistribution and economic growth can be (over-)compensated, provided policies aiming at greater equalization coincide with predictable, stable institutional frameworks and especially policies that provide collective goods (education, etc.) or that lower transaction costs of market economies (cf. Landa and Kapstein 2001: 282-9).

(3) Globalization in markets for goods, services, and capital promotes economic growth, but only if non-predatory domestic political institutions are in place (Rodrik 1999; World Bank Policy Research Report 2002). Where predatory rulers disable their subjects from acquiring the assets and competencies to compete in international markets, globalization of markets has detrimental effects.<sup>2</sup>

(4) The effect of globalization on inequality is contingent upon the quality of institutions and the propensity of rulers to invest in education and health care. Trade openness and especially foreign direct investment/technology transfer may have the effect of increasing inequality, because they tend to boost the demand for more qualified labor, yielding a skill premium on wages for scarce talent. This wage inequality is greater in predatory regimes that do not counteract inequality and skill shortages by boosting the supply of educated workers through government policies investing in education and health care (Aghion and Williamson 1998; World Bank Policy Research Report 2002).

Herbst (2000) and especially Van de Walle (2001) have written superb books on the economic consequences of predatory regimes in Africa that make depressing reading. A volume edited by Beissinger and Young (2002) compares predatory regimes and failing states in Africa and postcommunist Central Asia. Several other books examine countries in the Middle East as predatory regimes (cf. Waterbury 1993; Richards and Waterbury 1996; Henry and Springborg 2001). Let us now simply provide some empirical evidence that Middle Eastern countries tend to have predatory governments that are associated with bad economic performance over recent decades. These conditions, in turn, generate a potential popular sentiment of political dissatisfaction. We will be looking at the relationship between predatory governments, economic growth, and globalization, as stipulated in findings 1 and 3 above. Unfortunately, the evidence on patterns of inequality in the Middle East is too spotty and unreliable to permit systematic comparison. A key feature of inequality, however, is the concentrated control over natural resources and the rents their sale generates for Middle Eastern economies. Natural resource rents, particularly those derived from oil exports, however, are a feature that characterizes inequality in many Middle Eastern polities and has major detrimental economic and political consequences.

### (1) Predatory Rule

Predatory rule is limited to a subset of authoritarian regimes. Predatory government provides neither popular participation in and control of government nor safeguards for private property rights, such as a secure rule of law. A classification of world-wide political regime according to the extent to which they

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<sup>2</sup> I am disregarding here debates about the effect of deregulation of global short-term capital markets on economic growth. It is by now generally recognized that speculative waves, e.g. in currency markets, can unfairly penalize rich and poor countries and are not necessarily conducive to greater economic growth. See the discussion on capital markets in World Bank Policy Research Report (2002) as well as a recent special theme paper in the *Economist*, "A Cruel Sea of Capital. A Survey of Global Finance," May 3, 2003.

guarantee democratic rule developed by Diamond from Freedom House ratings of civic and political rights allows us to gauge the general potential for predatory rule in a region (table 1). The Middle East is the only region in which there is no single full liberal democracy with well-protected civil and political rights aside from Israel. Turkey qualifies as an “ambiguous regime” (score 4), Lebanon, Iran and Yemen as “competitive authoritarian” (score 3), and all others as hegemonic electoral authoritarian (score 2) or closed authoritarian (score 1). The potential for predatory rule in the Middle East is thus even greater than in Sub-Saharan Africa or Asia.

#### TABLE 1 ABOUT HERE

Table 2 provides some indirect tracers of predatory authoritarian rule, as captured by the lack of control over corruption, the absence of the rule of law, and weak government effectiveness. The scores on these attributes are based on expert judgments of numerous rating agencies, consolidated in a single data set by Kaufmann, Kraay and Zoido-Lobaton (2002). The grouping of countries should not yet suggest a causal argument, but nevertheless provide some analytical order within the multitude of political regimes around the globe. To give a sense of perspective, advanced Western capitalist OECD countries generally score in excess of +1.50 on each of the indices (rule of law, control of corruption and government effectiveness). At the other end of the spectrum, the worst scores can be found among postcommunist Central Asian countries with scores mostly below -1.00 and Sub-Saharan Africa with most scores in the -.50 to -1.00 range.

#### TABLE 2 ABOUT HERE

The first group of Middle Eastern countries consists of populous oil producers with moderate ratios of oil revenue per capita. They are generally characterized by very intense predatory rule.<sup>3</sup> Borderline cases of rather modest per capita oil production include Egypt, Sudan, Syria, and Yemen, although all of them indirectly benefit from neighboring large oil producers that offer jobs to temporary migrants from these countries. With the partial exception of Egypt whose scores may be better than the case study literature suggests (e.g. Henry and Springborg 2001: 138-66), all of these Middle Eastern regimes conform to a pattern of predatory governance. Henry and Springborg (2001: 63-4) refer to these political regimes as “bunker states” or at least “bully states” (Egypt).

The next group in table 2 consists of oil producing countries with very high levels of oil revenue per capita either because their populations are so small or, in Saudi Arabia’s case, because their oil revenues are so vast. These wealthy microstates can afford to maintain authoritarian rule with only a modicum of predation because they control huge natural resource rents. In contrast to members of group I, the tremendous oil resources controlled by rulers in group II helped them to bribe their peoples and prevent the replacement of monarchies with military and one-party rulers in the 1950s, 1960s or 1970s so familiar among members of group I.

A partial outlier in group II is Saudi Arabia with distinctly higher scores of predatory rule than common for the rest of the group. Saudi Arabia is situated at least half way between group II and group I. This may reflect the changing status of the Saudi political regime. As rapid population growth lowers the level of oil revenue per capita, incumbent rulers have fewer resources to coopt potential challengers. The regime therefore is in need of relying on more repressive techniques to enforce civil compliance rather than cooptation based on material side-payments, a topic to which I will return below in section 3. Rapid

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<sup>3</sup> Oil revenue as a percentage of export earnings exceeds in all of them 50%, except in Egypt (43%) and Oman (29%). See Henry and Springborg (2001: 40 and 132 for Sudan).

Saudi population growth may reduce the per capita oil revenues of the country sufficiently to make it progressively more difficult for Saudi Arabia to buy citizens' loyalty with material inducements. Instead, the regime relies on more authoritarian practices and may become less stable.

The third group in table 2 consists of two small to medium size monarchies and two republics without oil resources. Also here, levels of predation are generally lower than in the bunker and bully states of group I. Except in Tunisia, group III income levels are not greater than those of several group I bunker states, but their propensity to predation is lower. The lower bargaining power of regime incumbents may help a little to restrain the rulers' authoritarianism and predatory practices. Lebanon qualifies as competitive authoritarianism, whereas Jordan, Morocco and Tunisia are authoritarianisms with electoral and parliamentary facade (Diamond 2002: 28).

The fourth group consists of large Islamic countries outside the Middle East, typically endowed with rather modest oil resources relative to population size (with the partial exception of Indonesia). In these countries, the quality of institutions is closely related to wealth, with the wealthier countries having less predatory governments than the Middle Eastern reference cases and very poor countries, such as Bangladesh and Pakistan, having less predation than many more affluent oil-rich Middle Eastern countries (such as Algeria, Iraq, Libya, or Syria). While none of these countries has developed a stable democracy with firm civil and political rights, all of them have intermediate, hybrid regimes. Based on scores for 2000-2001, Diamond (2002) rates Bangladesh comparatively closest to a full democracy with civic and political rights. The country qualifies as an electoral democracy, followed by Indonesia and Turkey as ambiguous regimes and Malaysia as competitive authoritarian regime. Pakistan is currently a hegemonic electoral authoritarianism, but has experienced several spells of electoral democracy in the past. Moreover, rather open, competitive legislative elections have moved the country toward a competitive authoritarianism in 2002-3.

For reasons of broader comparison, I add a final group of non-Islamic and non-Middle Eastern rapidly growing economies. Even controlling for per capita income levels, these countries' institutions are less predatory than those of Middle Eastern bunker and bully states, as well as non-Middle Eastern large Islamic countries, with the exception of Malaysia. Overall, predatory rule appears to be most pronounced in the core populous states of the Middle East, followed by Islamic countries in the periphery. Very affluent oil rentier microstates, however, have better institutions, as do non-oil Middle Eastern countries and non-oil and non-Islamic rapidly developing Asian countries.

## (2) Predatory Rule and Economic Growth

Does predatory rule translate into greater socio-economic strains and weak economic growth? And what possible role, if any, could religion play in such patterns of economic growth? Answering these questions requires complicated multivariate econometric statistical technology that incorporates a fully specified theoretical model and considers endogeneity of some variables and interaction effects. This project has been pursued by others sufficiently well to draw on their findings.<sup>4</sup> Predatory rule matters, but religion does not, provided appropriate statistical controls are added such as investment rates in social infrastructure (education) that boost economic performance.

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<sup>4</sup> In addition to the already cited studies, see as a recent effort to evaluate the major rival endogenous growth theories comparatively Bleaney and Nishiyama (2002).

Table 3 provides data for the period from 1990 to 1999 on economic growth rates, population growth and growth rates per capita member of the labor force (aged 15-64) for the Middle East and a few external reference cases, including a broad regional comparison.<sup>5</sup> Because of missing controls, such as levels of GDP/capita at the beginning of the time period, trade openness, or dependence on natural resource exports, and of many missing cases of Middle Eastern countries that simply do not report relevant data, as well as the skewedness of the sample of countries listed here, no direct inferences can be drawn from the presence or absence of simple bivariate relations between predatory governance scores reported in table 2 and effective per capita labor force GDP growth reported in table 3. The missing cases are not randomly distributed. Almost the entire group of small oil-wealthy micropolities as well as many predatory regimes disappear in table 3 because they do not surrender the data needed for a comprehensive, accurate comparative analysis of the region. The same applies to some of the most odious predatory regimes in group I of table 2. Of course, tables 2 and 3 also do not include really “high institutional quality” polities with average scores in column 4 of table 2 of greater than +.50, let alone +1.00 typical for advanced capitalist democracies.

#### TABLE 3 ABOUT HERE

Table 3 therefore has a very simple descriptive purpose. It shows that much of the Islamic Middle East has been in an economic depression throughout the 1990s. Once we control for demographics, and particularly growth of the labor force, personal incomes are close to stagnant or even falling slightly throughout the region. This applies to the oil producing countries, but also to small to medium sized Arab neighbors without oil production. Islamic countries outside the Middle East have performed slightly better (group IV) and fast growing East and South Asian economies with on average better and less predatory institutions have performed even much better than Asian Islamic countries (group V). In part, computationally this is due to lower population growth in non-Islamic Asian countries than in the Islamic world, but this correlation may not constitute a causal link, if demographics is itself endogenous to political regimes and growth rates, as Przeworski et al. (2000) have suggested. If the economy is volatile and politics insecure, people can invest less in each individual son or daughter for fear of losing their investment through premature death or break-up of family support networks. Instead, they maximize the number of offspring as a hedging strategy, but invest relatively little in each child.

Overall, the broad regional comparisons at the bottom of table 3 show that, next to Sub-Saharan Africa, the Middle East and North Africa are the regions on earth that have economically performed the worst in the decade of the 1990s. If we added the 1980s, the picture would not change much. During its “lost decade” of economic growth, Latin America would join the club of countries with weak economic performance, while East and South Asia were rising throughout that decade as well. There is thus no question that the intensity of socio-economic deprivation felt throughout much of the Middle East has become great.

### (3) Globalization and Economic Misery

As a final descriptive piece of information about the specific deprivations imposed on people living in the Middle East and the Islamic world more generally, let us consider globalization. Critics of globalization would presume that greater trade exposure depresses wages, leads to a decline in standards of living, and promotes greater inequality. Nothing could be further from the truth (cf. World Bank Policy

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<sup>5</sup> The data in table 3 as well as subsequent tables are World Bank’s 2000/2001 *World Development Report* (Oxford: Oxford University Press, 2001).

Research Group 2002), because good governance can counteract the negative forces of globalization through investments in social infrastructure and safeguards of property rights that allow countries to turn global opening into a productive, wealth enhancing force. Our descriptive data on the Middle East in comparative perspective illustrate that *resistance to globalization is strongly correlated with economic misery*. Of course, as long as bad institutions prevail in the Middle East, a global opening could not improve and possibly worsen economic performance. The Middle East appears to be trapped in a vicious circle of low growth, bad institutions of governance, and resistance to economic globalization.

#### TABLE 4 ABOUT HERE

Table 4 reports levels of manufactured goods exports as the total of merchandise exports in 1990 and 1998 as well as annual growth rates of goods and services exports in that same period in the Middle Eastern and reference countries employed in previous tables. In the oil producing countries of the Middle East, low levels of exports of manufactured goods and services coincide with low per capita growth rates. The picture is not much better in the non-oil Arab Middle Eastern countries that are functionally tied into the regional oil economy through the export of workers to oil producing regions and their remittances home to their countries of origin (e.g., Morocco, Tunisia as well as the relatively low oil-producing populous countries of Egypt and Syria).

The proximate cause of this economic predicament in all these countries is the prevalence of import substituting industrialization (ISI) strategies that rely on (1) overvalued currencies that make exports uncompetitive, but facilitate the administratively regulated import of capital and consumer goods, (2) tariff and non-tariff barriers to the import of goods, services and capital and (3) a state-run bureaucratic planning machine that allocates scarce resources, administers prices, and owns a wide range of industries. ISI industrialization undercuts incentives to invest and produce efficiently and generates a huge unproductive public employment sector strategically used by authoritarian regimes to coopt critical segments of the population with mediocre quasi-jobs. Just as in Latin America from the 1940s through the 1970s, ISI based economic strategies follow an imperative of political survival by the economic elites, but are economically detrimental, when the challenge of economic development is to increase the sophistication and efficiency of manufacturing industries and services (cf. Richards and Waterbury 1996; Henry and Springborg 2001).

Non-oil producing Islamic countries outside the Arab core of the Middle East perform better in terms of levels and growth rates of external trade exposure. Islamic countries with the greatest propensity to embrace market and export orientation in recent decades have also experienced the greatest economic success. This applies especially to Bangladesh, Indonesia, and Malaysia, whereas Pakistan and Turkey are both polities more wedded to the ISI development model with predictable negative consequences. At least in the case of Bangladesh, not even comparatively bad institutions of governance (table 2) have held back the beneficial impact of trade openness.

Without having to plunge into the complications of existing econometric analyses that would confirm our result, the simple descriptive evidence reveals a close association between economic openness and growth. The Middle East and Islamic North Africa constitute the regions on earth with the greatest resistance to globalization, as the cross-regional figures in the last part of table 4 show. The Middle East ranks even behind Sub-Saharan Africa in capabilities to embrace economic globalization. Bad institutions and anti-globalizing political propensities feed on each other. Where predatory institutions exist, political actors anticipate further economic decline from trade openness because institutional conditions give domestic economic actors few incentives and opportunities to invest in productive capacities that allow them to take on foreign competitors successfully. Thus they can never enter the virtuous circle of

international competition, gains from trade, and increasing domestic productivity and economic growth. As a consequence, in countries with bad institutions the costs of market opening are especially high and the resistance of powerful rent-seeking constituencies configured around the state sector is particularly intense.

### General Finding about Economic Immization in the Islamic Hemisphere

Middle Eastern and some non-Middle Eastern Islamic countries clearly generate socio-economic conditions of deprivation that may constitute the fountain of insurrectional activity. Over long periods of time, such Islamic countries have economically performed worse than the rest of the world, save Sub-Saharan Africa. It is difficult for large cohorts of young people entering the labor market to find employment, make a living and feed a family. Nevertheless, desperate economic conditions compel people to raise large families because they cannot resort to any other safeguard than the future assistance of their offspring in an environment of predatory and failing institutions. The Islamic Middle East is clearly a region “left behind” by much of the rest of the world, with the possible exception of Sub-Saharan Africa and a pocket of Central Asian fission products of the Former Soviet Union. This is a fact progressive Arab intellectuals have become worried about (United Nations Development Programme 2002).

But why are many Middle Eastern and other Muslim polities economically so depressed? Are the doctrines of Islam, for example the propensity to fuse religion, economics and politics, the cause of this misery? Or are religious doctrines sufficiently malleable to accommodate different economic institutions so that other cause(s) than cultural beliefs must be bringing about bad results in the region? Let us briefly address these issues and then return to the next step in the main argumentation of the paper, namely how objective deprivations in the Middle East may convert into overt resistance to political rule and different strategies of resistance to predatory rulers, one of which may be international terrorism.

#### B. Islam is Not the Cause of Weak Economic Performance. Endogenizing Authoritarian Predatory Rule

Culture, religion, and civilizational norms play a role in different explanatory accounts of the predicament of Middle Eastern countries. In the introduction I sketched a “radical” version of the cultural argument interpreting Islamist mobilization as an insurrection against Western imperialism. Let me now focus on the “conservative” version of the cultural argument regarding Islam as a cognitive impediment that disables whole societies from creating good governance and economic wealth. This cultural story about the causes of societal deprivations runs as follows: Islam posits doctrines of the good society that call for a fusion of the economic, political, and religious sphere. By regulating all economic and political activity under the auspices of religious norms and values, Islamic countries cannot release the “animal spirits” of innovative capitalism and harvest the creativity generated by individualistic, tolerant polities based on broad political participation and free economic exchange made possible by a legal framework indifferent to market participants’ private religious beliefs.

This cultural account identifies several mechanisms mediating between Islamic religious doctrines and economic performance. Because such religious doctrines call for a fusion of economic, political, and religious norms, they favor interventionist ISI economies. Predatory authoritarian rulers, in turn, are regime incumbents that have the greatest stakes in preserving state interventionist economies and that may want to legitimize their fusion of politics and economics in religious terms. The presence of authoritarian rulers and administered economies also helps to preserve another religious tenet, the exclusion of women

from equal participation in economic and political life. Cultural norms thus inspire economic and political governance structures that create disincentives for efficient investment in fixed or human capital (e.g., women's education) and further the privileges of rent-seeking groups benefiting from state intervention.

How robust are the causal relations posited between religion, institutions, strategies of human capital investment, political rule, and economic growth? While some econometric studies confirm the postulated causal linkages, there is reason to be skeptical about these claims. Without adding another statistical stab at the problem here, let me point to some of the problems encountered in studies that tend to confirm the causal significance of the religious variable for good governance, authoritarianism, and ultimately economic growth.

The effort to establish a direct causal linkage between the most distant elements of the causal chain running from Islamic religion, at the beginning, to economic growth, at the end, can be most easily demolished. Various economic growth models and recent efforts to consolidate them into a single encompassing model find no direct effect of religion or region on economic growth. Major determinants of economic growth, however, include intermediate causal variables that can be postulated to be endogenous to religious doctrines: the quality of institutions, male (as opposed to female) schooling and economic openness. For the sake of argument, let us also assume that, on balance, democracy is a political regime form that is conducive to economic growth. This argument is controversial in the econometric literature and there is a bounty of theoretical arguments to support or deny this linkage.<sup>6</sup> Nevertheless, for the cultural argument to work, it would have to be the case that Islam promotes authoritarianism, while authoritarianism in turn promotes predatory rule with inefficient economic consequences. How plausible, then, is the first link in that chain, the causal impact of religion on political rule?

Studies of the *quality of institutions*, measured as control of corruption or rule of law, generally find that historical conditions affect contemporary political rule, but Islam does not stand out as a determinant of institutional quality. If anything, it is the prevalence of Protestantism in a polity that boosts institutional quality compared to all other religions none of which leaves an additional significant positive or negative distinctive imprint on the dependent variable (cf. La Porta et al. 1999; Treisman 2000). Treisman shows that existing levels of economic affluence together with British colonial rule enhance the quality of political institutions, measured as control of corruption. Other studies I referred to earlier endogenize the quality of institutions in terms of historical and geographical conditions at the time of colonialism in the nineteenth century (Acemoglu et al. 2001; Easterly and Levine 2002).

The large literature on the *determinants of democracy* also yields little support for the cultural hypothesis. Przeworski et al. (2000: 124) find no evidence that Islam hinders democracy, once other conditions are taken into account. But many major Arab countries are dropped from their sample. Others find a consistently negative effect of Islam on democracy, but do not control for other theoretically specific features of the Middle East (e.g. Barro 1997; 1999). Michael Ross (2001) establishes that Islam affects democratization negatively, once per capita income, OECD membership as well as oil and other raw materials exports are controlled for, among other things. But Islam vanishes as a determinant of

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<sup>6</sup> Przeworski et al. (2000) propose an ingenious, but contentious way to endogenize political regimes and correct for selection effects in estimating the effect of political regime on economic growth. Their result is that political regime form is irrelevant for economic growth. But their economic model of growth is rudimentary and lacks the controls typically included in the most sophisticated growth models currently advanced by economists. These models, from Barro (1997) to Bleaney and Nishiyama (2002) tend to identify a curvilinear relationship according to which initial increments of democracy contribute to economic growth, while higher levels of civil and political rights may weigh negatively on economic growth. This effect emerges after introducing a host of controls, among which the usual institutional suspects and economic openness have a large substantive impact.

authoritarianism, when a regional dummy for Middle East is added. Apparently, outside the Middle East Islamic countries are not particularly undemocratic, given their economic structure and level of development. In contrast to the Middle East, some of the largest Islamic countries on earth, such as Bangladesh, Indonesia, and Malaysia have had spells of electoral democracy. Even Pakistan has a better democratic track record than just about any Middle Eastern country. This suggests that there may be something else than religion that hinders democracy in the Middle East. It needs to be captured in different theoretical terms.

Fish's (2003) recent study establishes a statistical association between authoritarianism and Islam that is mediated through the gap between male and female schooling. As his most important proposal for a mechanism linking Islam to authoritarian rule, he suggests an isomorphism between patriarchal family relations in Islamic countries that deprive girls of education and a preference for authoritarian polities. But his statistical analysis is woefully short on control variables and thus cannot count as an adequate test of the cultural thesis. Indeed, Middle Eastern Islamic countries have much higher illiteracy rates among women than men, something that cannot be found among non-Islamic countries with equal lower-intermediate per capita incomes (table 5). But poor Islamic countries outside the Middle East, such as Bangladesh and Pakistan, do not have higher gender-based literacy gaps than non-Islamic poor countries, such as India. Furthermore, middle-income Islamic countries outside the Middle East have small gender-based literacy gaps, such as Indonesia and Malaysia.

#### TABLE 5 ABOUT HERE

If Islam is neither a determinant of predatory rule nor of low economic growth per se, how can we shed light on the mystery that the Middle East has proved to be so resistant to democratization or good governance based on a formal-procedural conception of the rule of law, protection of private property rights? Let me advance two minor and two major arguments to account for the structural inability of the Middle East to embrace non-predatory rule and democracy. We should keep in mind, however, that even disregarding these variables, we should not expect the Middle East to be a predominantly democratic region. Based on economic development alone, the position of most populous Middle Eastern countries between wretched poverty and lower-middle income status limits the probabilities that any one country becomes and stays democratic over time.

Ironically, the first substantively minor determinant for the absence of non-predatory rule may be the comparative shallowness of colonialism in the region, and more specifically the absence of lasting British colonialism. Extended British rule may have improved the quality of institutions in a durable fashion in a number of countries by introducing professional civil services (cf. La Porta et al. 1999; Triesman 2000), although British rule has not increased the probability to find democratic governance among contemporary polities (cf. Barro 1997: 70-74; but see Midlarsky 1998). The Middle East experienced British overlords, but little sustained direct governance from the center.

The second most likely substantively minor condition predisposing the Middle East to predatory rule may be the *absence of severe international pressure endangering the survival of domestic regimes*. Very severe external threats emanating from a large hostile regional hegemon, such as experienced by Japan after 1856 and by South Korea or Taiwan since 1948, may force authoritarian regimes to restrict predatory resource extraction from their own people and nurture economic growth through good governance and the respect of property rights in order to create a positive mutual reinforcement between the growth of private wealth and the expansion of military power even with low rates of taxation. In the Middle East, not even Israel posed a hegemonic threat to the survival of Arab governments, nor did any other foreign power. Predatory Middle Eastern regimes therefore did not have to fear that unproductive

economic development strategies would weaken their military strength sufficiently to threaten their domestic survival.

Clearly a major condition for the relative poverty and predatory nature of Middle Eastern regimes is natural resource wealth provided by oil. Ross (2001) has specified and tested a variety of causal mechanisms that link oil exports to corruption and predatory rule. At the base of all these mechanisms is the idea that rulers will not accommodate to representation as long as they do not have to tax subjects. Where authoritarian rulers do not need to rely on the fruits of their subjects' ingenuity, they will not share power, but employ their independent revenue flow to bribe critical segments of the population into subservience.<sup>7</sup> Thus oil wealth is a curse in disguise. It undermines the quality of governance, creates cronies and clients, and promotes import substituting industrialization regimes that are counterproductive for economic growth.

The potentially most interesting deeper historical cause of predatory authoritarianism in the Middle East may build on an adaptation of Barrington Moore's (1966) account of the origins of democracy and dictatorship to that region. It can be linked to Boix's (2003) recent generalization of Moore's argument that great concentration of asset ownership (land, natural resources) in a small ruling class, together with the immobility or specificity of such assets across borders makes democratization less likely.<sup>8</sup> Great inequality of resource control radicalizes the demands of poor challengers. Because democracy would enable the poor masses to redistribute such assets, wealthy rulers have little inclination to make democratic concessions. The physical immobility of assets further stiffens the spine of such rulers. If they cannot threaten to leave a polity with their assets once democracy is granted, they cannot constrain the redistributive desires of the democratic plebs

Oil is one obvious fixed asset that makes rulers fight against political democratization because democracy almost certainly leads to their expropriation. But as Simon Bromley (1997) argues in his adaptation of Moore's (1966) argument to the Middle East, the concentration of fixed resources around large landowners and a small commercial class may have antedated the impact of oil in a number of countries. Only where a mass of agrarian smallholders and a dispersed class of traders and craftsmen existed, have Middle Eastern countries shown any sign to relax authoritarian rule and to grant a modicum of broad democratic participation in the political decision making process. Concentration of land and other assets is more pronounced in the Middle East than other polities with Islamic majorities in Asia.

I supplement Bromley's treatment of Middle Eastern countries with Henry and Springborg's (2001: esp. 24-7; 83-95) analysis of Middle Eastern business communities and capitalist legacies as well as John Hall's (1986) explanation of Middle Eastern regimes, inspired by Ernest Gellner's work on the significance of lasting tribal rule on political regime formation in twentieth century Middle Eastern countries. Where political authority was based on tribal governance until well into the twentieth century, it impeded a separation of economic and political governance as well as the development of formal, procedural rule of law. Polities remained personalistic, shallow and "cyclical." As a consequence, they have encountered difficulties in developing capitalist market economies together with a corresponding regulatory legal framework.

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<sup>7</sup> In other regions of the world, foreign aid may play the same role of degrading already predatory political governance by relieving governments from reliance on resources produced by their subjects. Cf. Knack 2000; Easterly 2001; Van de Walle 2001.

<sup>8</sup> For the link between inequality and authoritarian rule, see also Muller (1995).

Table 6 provides the Freedom House rankings of civic and political rights for a large number of Middle Eastern and some non-Middle Eastern Islamic countries in 2001. Low values indicate strong civil and political rights, high values their absence. The authoritarian maximum score on each scale is seven. The countries are distributed across the cells of the table according to (1) the extent to which a country relies on oil revenues in order to run its state apparatus and (2) the nature of economic property relations and legacies of political-economic governance structures, differentiated into three categories. Only dispersed commercial-agricultural property relations with relative egalitarian and mobile asset structures are conducive to democratization. Bold-faced cases are discussed by Bromley. All other polities are tentatively entered into the table based on fragmentary information gleaned from my sources. Some may be mixed cases, such as Pakistan with an important tribal governance component, others may require reclassification in light of closer scrutiny. The table should therefore be treated as a heuristic exercise to advance a hypothesis about the lineages of predatory political rule in the Middle East.

#### TABLE 6 ABOUT HERE

Conditions for democratization are generally best where countries lack large oil reserves and must rely on agrarian smallholders and/or small traders and craftspeople. Indeed, countries in the upper and middle right corner of the table have the relatively most democratic regimes at the beginning of the twenty-first century. In some instances the dispersed nature of their business communities is in part due to non-Islamic Chinese settlers and their international business networks. Countries in the lower left and the lower middle with oil resources and/or concentrated property relations or tribal origins have the most authoritarian and typically predatory regimes, tempered by very high oil revenue per capita ratios that enables rulers to afford more welfare and less arbitrariness in their exercise of political rule.

In the lower right corner (high oil revenues, dispersed agrarian and commercial classes), Iran is an interesting case, as its authoritarian Freedom House ranking is consistent with its oil prowess, but not its class and property relations. This may indicate one or both of two conditions. First, Freedom House scores may not fully appreciate that for all of the Islamic Republic's repressiveness it is one of the very few Middle Eastern regimes where the procedural provisions of a formal constitution have some bite in the political realities of governance and instill competition (Feldman 2003: 87-100). Setting aside Turkey, Iran is the only functioning multi-party polity in the Middle East with at least semi-competitive elections and at least partial responsibility of the government to parliament. Second, the authoritarianism of the current Iranian regime is indeed to a certain extent incommensurable with the realities of societal pluralization in Iranian society that intensify pressures for political participation and democratization. This internal strain may therefore give rise to particularly powerful and persistent collective mobilization against the rule of the Shiite clergy. Indeed, domestic political contestation has been more vibrant in Iran than anywhere else in the region over the past decade.

Also in the upper left corner, where regimes are located with low oil revenue/per capita, but highly concentrated agrarian and commercial property structures, one might expect more civil strife and a potential opening of the polity (Egypt, Syria). The incumbent authoritarian regimes are precarious because they cannot bribe their populations with oil revenues and have to rely on the domestic tax base. Remittances by nationals working in oil-rich neighboring countries, however, may financially make them more similar to oil economies.<sup>9</sup>

Overall, there is considerable diversity of political rule among Islamic countries, although empirically that diversity is skewed toward authoritarian and predatory governance. Nevertheless, the evidence

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<sup>9</sup> On the magnitude of financial flows, see Henry and Springborg (2001: 37).

discussed casts some doubt on efforts to draw a causal line from religious doctrines through political regimes to economic performance. Appreciating the diversity of political regimes in the Islamic world is important in order to understand the strategic options incumbent rulers might exercise in fighting challengers to their regime. Once we have an idea of who these challengers are and how the incumbents may respond to them, we can address their strategic interaction, once specific mode of which may be international terrorism.

## **2. The Challengers: Actors and Aspirations in the Islamist Struggle**

Goldstone (1991a and 1991b) critiqued common state-centered theories of revolution such as Skocpol's (1979) as too myopic in their causal analysis. First of all, Skocpol did not illuminate the social and economic deprivations that lead to the internal divisions and struggles among elements of an authoritarian ruling elite. Historically, Goldstone can show that in pre-industrial times these deprivations originate in Malthusian cycles of fast demographic expansion and slower acceleration of food production. Under given property rights regimes and political-economic institutions, population growth led to falling wages, underemployment and declining rents for the ruling elite and its offspring. Intensifying scarcity then triggers a struggle for survival at all levels of society. But Goldstone goes beyond this rational-instrumental and economic account of deprivations and interests in revolutionary change. He shows that the success of revolutions hinges upon the availability of innovative ideas that would project solutions to existing predicaments into the horizon of future societal development. In other words, while opposition to the status quo can be accounted for in terms of narrow instrumental economic interests, the construction of a new world of institutions and methods of resource allocation requires programmatic ideological visions of new societal arrangements that will overcome existing ills. Because uncertainty shrouds the operational feasibility of alternative visions, such ideas do not strictly follow from the self-interest of aggrieved actors. *Political-economic grievances and crises lead to revolutions only where new ideas inspire the construction of novel institutions.* Interests alone face too much uncertainty about the consequences of untried institutions to guide political visions without ideological vision. Let us take up the instrumental-rational and the ideational parts of Goldstone's argument and apply them to the current Middle Eastern situation. Fundamentalist Islam is a locally available ideational interpretive frame to express grievances, although its victory is unlikely to alleviate existing grievances, provided it calls for an ISI based economic development strategy.

### A. Instrumental Interests

In an environment of economic decline triggered by import substituting industrialization, anti-globalism, and predatory governance, who has an interest in attacking the status quo? Kepel (2002) identifies three groups that attack existing Middle Eastern regimes and analyses the conditions under which they coalesce or divide.

The first constituency for change is the increasingly *desperate urban mass of unemployed youths*. Because of the inability of ISI economics to generate new productive jobs, they are socially marginalized in the "informal sector." They are the most numerous socio-economic constituency receptive to radical appeals to challenge the status quo. But they have few material and cognitive resources or organizational skills to advance an insurrection. Akin to Marx's characterization of peasants in 19<sup>th</sup> century France, they are like a "sack of potatoes" that cannot organize itself in purposive collective action, but has to await the leadership of external political entrepreneurs.

The second group is the young intelligentsia, trained at Middle Eastern and often Western universities, with advanced degrees in medicine, engineering, and the sciences. They provide the intellectual ferment of oppositional movements. Like Goldstone's (1991a) French ruling class offspring in the 18<sup>th</sup> century, they cannot find promising positions in the stagnating economic and administrative environment of contemporary Middle Eastern polities. Nothing is worse for an incumbent regime than to face young, un- or underemployed intellectuals because they have the intellectual and organizing capabilities to challenge the status quo, provided they can agree on a political objective.

The third group is the older, market- and trade-oriented independent middle class of private sector traders and artisans, a group referred to as *Bazaaris* in Iran. Often religiously devout and conservative, they are also struggling with deteriorating economic conditions. They face gradual decay in the stagnant ISI regimes. At the same time, were economic policy to shift toward global competition, their prospects are not bright either. Because they have little human and financial capital, market liberalizing reforms exposing them to foreign competitors are likely to make them economic victims of "progress," even if the net effect of liberalization may be positive for Middle Eastern countries as a whole.

If the young marginalized and young intellectuals, together with the old petty bourgeois middle class furnish the reservoir of discontent with existing Middle Eastern regimes, what does this leave as pillars of incumbent regime support? The most important regime constituency is the mass of salaried urban dwellers employed in the economically protected state sector. This includes state-owned and state-regulated industries just as much as branches of the state bureaucracy and their semi-public appendices. Altogether, these market-sheltered employment groups may account for anywhere between one quarter and one half of all jobs in the official economy. They are supplemented by rent-seeking private entrepreneurs who benefit from affiliation with the incumbent regimes through clientelistic bonds.

Table 7 offers a simple division of groups along political and economic lines. Politically, there are those who expect to benefit from the downfall of the incumbent regimes ("political winners") and those who oppose regime change ("political losers"). Economically, there are those who may feel threatened by economic reforms that end ISI economics in favor of the "Washington consensus" of trade and price liberalization, together with privatization, banking sector reform, and hard financial budget constraints imposed on private companies, as well as those who may expect to benefit. *The critical hypothesis of table 7 is that those who work in favor of the downfall of the existing ISI predatory political regimes in the Middle East do not stand to benefit from any single economic policy alternative.* In fact, some of the urban poor as well as the young intelligentsia may very well be winners of market liberalization, while the old petty bourgeoisie definitely will be on the losing side. Most of the supporters of the existing ISI regimes stand to lose from economic reform, with the exception of a few industrialists and state technocrats.

#### TABLE 7 ABOUT HERE

If this tableau of economic interests is correct, it generates an intriguing consequence to which I will return in section 4: It is easier to unite the supporters of the status quo politics around a clear economic policy, namely the maintenance of the ISI regime with minimal concessions, than to coalesce the opposition around a new economic policy, whether it is economic liberalization or some other "third way" between socialism (and ISI), on one side, and market liberalism, on the other. What unites the opposition is a rejection of the incumbent regime. As soon as they have done away with the incumbents, the internal programmatic disunity of the insurrectional coalition may come to the fore.

In the most spectacular regime displacement of the last thirty years, the removal of the Shah of Iran and the installation of the Iranian Islamic Republic, at least initially all three major opposition groups—marginalized young urbanites, young intelligentsia, and established petty bourgeoisie—coalesced around the objective to remove the incumbent. The existing regime’s state led economic growth pleased none of the oppositional groups. But it turned out to be much harder to find a new economic development strategy that could maintain the same social coalition.

This instrumental analysis, however, excludes the ideational dimension. The struggle against the incumbent regime may be inspired by an ideational vision of an alternative society that papers over the potential disunity among challenging groups. It may even generate “false consciousness” among some coalition members about the sort of societal institutions that will serve their interests in the future. Once incumbents have been defeated, this ideology may preserve the winning coalition for some time, before the realities of economic conflicts of interest within the winning coalition discredit the ideology and ultimately lead to a break-up of the winner’s coalition.

### B. The Ideational Component. Modernization and Political Ideology

In order to build a political coalition of social forces, movement entrepreneurs must have an exciting programmatic vision that provides (1) a convincing analysis of a polity’s current predicament and (2) the prospect of a plausible remedial strategy of institutional innovation that can remove the current deprivation and advance the well-being of members participating in the revolutionary coalition. The elaboration of such an ideology has to build on frames that “resonate” with the target constituencies. The demonstrable success of a foreign model provides one avenue to create a frame that resonates with large constituencies. Frame resonance also draws on past positive and negative domestic experiences. But movement entrepreneurs are not simply passively adopting the evaluation of the past, but also actively creating it. Historical interpretation is an imagined past.

In the construction of radical Islamism to create a society based on *Sharia* law and strict observance of the moral code laid down by the Koran, two mechanisms play a critical role. The first derives from modernization theory and has more recently been applied to the Iranian revolution, but also generalized in a comparative-historical account by Said Arjomand (1986; 1988). Economic development and structural change trigger an *endogenous preference change* that under specific conditions may lead to a yearning for a communitarian social order. The second mechanism reconstructs a choice among ideological templates as based on an *instrumental elimination of alternatives based on recent domestic experience*. Ideologies that obviously “have not worked” cannot inspire new insurrectional movements. Both development induced preference change and instrumental sorting of the past performance of ideological programs taken together account for the temporary attractiveness of an Islamic communitarian ideology that opposes the differentiation of life spheres into separate sub-systems, such as the economy, the polity, religion and scientific research.

The developmentalist account begins with the observation that the transition from traditional small-group based pre-industrial societies to encompassing modern capitalist market organization and mass politics involves a radical change in the way individuals relate to the social order. Whereas beforehand they complied with group norms that regulated details of their lives, they are now released from normative guidance and expected to make individual choices for themselves in a variety of social realms. In Durkheimian language, the “collective consciousness” of rules and norms shrinks and releases the actors into an environment of “institutionalized individualism.” The individualization of society releases innovative capacities and enhances the efficient allocation of resources through voluntary trade, but also creates subjective normative anxieties and new economic vulnerabilities, particularly among those not

well endowed in terms of cognitive capacities or asset control to cope with the risks of a market society. These anxieties will be particularly virulent at a time when the new social order has not yet developed policies to prepare individuals for their freedom or to provide protection from the risks of individualization. In advanced capitalist democracies with good governance, investments in human capital (education, health care) and social insurance systems provide the institutional support for individualism. Predatory regimes with weak economies do not provide such assistance and thus make market liberalization less palatable for many citizens.

Faced with the exposure to individualized risk, actors with few assets and capabilities to cope with market society are likely to develop a yearning for a different social order that at least partly reconstitutes the security of a communitarian collectivist pre-industrial order. Arjomand (1986) traces this yearning for community in a world increasingly organized by voluntary associations and market contracting through history from the anti-liberalist movements of a radical Protestant Puritan strand in the time of the English Revolution of the 17<sup>th</sup> century via anarchist and anarcho-syndicalist movements of the nineteenth and twentieth century to fascism and contemporary Islamist fundamentalism. Even Marxian socialism has a strong communitarian side that resonates with individuals caught up in the transition to an individualist market and association based social order. As already Organski (1968) claimed for fascism, it is particularly societies “in transit” between community-based, small-scale social organization and societies configured around large-scale markets, bureaucracies, and associations that generate communitarian backlash movements of various kinds. For Arjomand (1986; 1988), Islamic fundamentalism is but the latest incarnation of this yearning for the restoration of a community with normatively patterned, personalized face-to-face relations.

Islamist fundamentalism is a functional equivalent for anti-liberal ideas that have inspired social movements over the past several hundred years in geographical regions other than the Middle East. But the developmentalist account of ideological preference formation can account only for the broad class of communitarian beliefs to which Islamic fundamentalism belongs, not for the specificity of fundamentalist Islam or its functional equivalents, whether they were fascist, communist, or anarcho-syndicalist. It is a cognitive mechanism to eliminate ideological candidates based on recent negative experiences that accounts for the specific choice of fundamentalist Islam in the late twentieth century Middle East as the ideology that inspires challengers of incumbent rulers. In the eyes of potential insurrectionists, Western liberalism is unsuitable to organize an interpretive frame for their desires to topple current rulers because (1) it endorses individualism and thus does not serve the communitarian yearning and (2) Middle Eastern collective memories associate liberalism with colonial rule of the past and the decline of Middle Eastern countries relative to Western Europe. In a similar vein, by the 1980s and 1990s Marxian socialism or nationalist socialisms of varying kinds, including fascism, have become implausible ideological templates because they were falsified by historical experiences in the Middle East and elsewhere. Many existing Middle Eastern ISI regimes resulted from military insurrections against traditional monarchies and were inspired by national socialist, secular, and anti-liberal beliefs about the virtues of planned economies and national (or regional) paths to egalitarian socialist societies. The failure of the ISI trajectory has made this interpretive frame as implausible and unattractive as Marxian communism has been since the Brezhnev and post-Brezhnev era marred by the decay and ultimately collapse of the Soviet Union. By elimination, fundamentalist Islam remains the one interpretive frame available that has not been discredited by the experience of Middle Eastern countries over the past fifty to one hundred years. As Shlomo Avineri (2001: 96) wrote in a perceptive article:

“In the wake of this opening to the West [in the nineteenth and first half of the twentieth century], practically all the various ideologies and institutional arrangements prevalent in the West in the nineteenth and twentieth centuries have been tried in the Arab world:

liberal constitutionalism, monarchical or republican, was tried in countries like Egypt, Syria, and Iraq — and failed; in the 1930s and 1940s, Iraqi, Syrian, and Palestinian intellectuals toyed with fascism — and came to no good; later, various strands of secular nationalism, Marxism, and Third World ideologies were tried — Nasserism was perhaps the most sophisticated amalgam of them — and failed. As some Arab writers like Fouad Ajami or Sadiz Jelal al-Azm have written—all the Western ideologies have been tried in the Arab world—and all have failed.

Hence the recourse to Islam should not come as a surprise. It is, in a way, a return to the region's roots, as well as a return from the exile, as it were, among alien, Western ideas, which are considered by some Islamic radical thinkers as quasi-pagan, similar to the immorality of pre-Islamic days, the era of the *Jehaliyya*, the time of barbarism, ignorance, and Godlessness.”

An account of the rise of fundamentalist Islam as the point of crystallization around which various oppositional forces can potentially coordinate who wish to challenge established predatory rulers in the Middle East, we thus need not resort to a Weberian theoretical account. For Weber, religion as an intellectual artifact—in the sense of doctrines and moral imperatives about ways to lead the good life—prefigures the organizational and institutional incarnation of society after a successful revolution. The doctrines inspire actors and limit the feasibility space of institutional innovation. In my alternative account, actors adopt particular religious doctrines situatively and interpret them in light of the predicament of modernization, combined with the historically contingent trajectory of ideologies and experiences they have made in the run-up to the current situation.<sup>10</sup> Religious doctrines, by themselves, have little bite to organize society. They are embedded into economic and cultural contexts and interpreted against this backdrop.

From a social science point of view, it is therefore a useless enterprise to try to determine whether the “true” and unadulterated doctrines of Islam make possible or preclude this or that political and economic organization (democracy, rule of law, equality of the sexes, tolerance for non-believers, etc.). From a sociological point of view, purposive actors with conflicting interests interpret religious doctrines within a historical context against a backdrop of rhetorical moves made by proponents and adversaries of a variety of rival beliefs. Whether or not there is an “essence” to particular religious doctrines is irrelevant for the sociological enterprise to explain the rise or demise of particular belief systems. What counts here is the pragmatics of communication: How available is an interpretive frame to potential challengers of a regime and how well does it resonate with people who have definitive interests to change the status quo, given the historical development of political regimes and their modes of legitimation in the memory of the actors?

### **3. The Strategic Interaction between Regime Incumbents and Challengers**

So far, I have generated propositions about economic deprivations, instrumental group interests in wealth and power, and ideational orientations that guide the struggle against predatory Middle Eastern rulers. But grievances and interpretive frames, by themselves, cannot account for the concrete strategic

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<sup>10</sup> As Gellner (1981: 7) has argued in many instances, from a Weberian perspective Islamic doctrine could be viewed as the most modern of the major world religions: “[B]y various obvious criteria—universalism, scripturalism, spiritual egalitarianism, the extension of full participation in the sacred community not to one, or some, but to *all*, and the rational systematization of social life—Islam is, of the three great Western monotheisms, the one closest to modernity.”

options and choices both incumbents and challengers make when they engage in battle. In order to explain such choices, we must focus on the strategic configuration of resources and capabilities under control of the adversarial camps and account for their strategies of interaction in that light. Terrorism, and more specifically international terrorism, is but one specific strategic avenue challengers may choose to advance their cause.

When faced with a challenger, regime incumbents have three options they may employ individually or in combination with each other: (1) cooptation; (2) repression; (3) negotiation and concessions, possibly leading to democratization. The choice of strategy depends on the regime's resources and the asymmetry of asset control and power concentration it has created. Regime access to ample resources, indicated by very high oil revenues per capita, favors strategies of cooptation, combined with repression. Access to moderate resources, signaled by lower oil revenue/per capita ratios, may make cooptation too costly and compel incumbent regimes resort to repression, particularly if they have created great power and wealth differentials that make it hard to compromise with challengers. Incumbent regimes with very limited access to resources facing challengers with considerable power assets may not be able to mobilize sufficient resources to repress a challenger and will be more inclined to compromise.

Potential opponents can overcome collective action problems only if resources are sufficiently dissipated in society to create a critical mass of potential followers who are united not only by grievances against the existing regime, but also control resources that can be employed in their struggle. This places the commercial middle class of traders and craftspeople, as well as university trained young intellectuals in a decisive position. Only where these groups are sufficiently numerous and resourceful can opponents successfully address collective action problems and trigger the mobilization of the marginalized urban masses. Furthermore, only where regime incumbents find themselves unable to repress or coopt potential challengers, political entrepreneurs can hope to mobilize encompassing domestic mass movements. Most conflictual and open are interactive situations in which incumbents control moderate resources, i.e. relatively low oil revenue/capita flows common to populous oil producing countries, and have thus a propensity to repress, while agrarian and commercial middle classes are relatively dispersed and resourceful, thus giving them a capability to mobilize. Let us now look at eight strategic constellations of regime incumbents and opponents depicted in table 8 and work through the logic of strategic interaction in each of its cells.

#### TABLE 8 ABOUT HERE

Small non-populous oil producers have a relatively easy time to maintain authoritarian regimes without facing much civil strife because they have all the resources in the world to coopt critical segments of the population who anyway do not have much independent access to valuable resources (upper left cell). For this reason, most of them have remained monarchies, while other power configurations led to the removal of kings. But countries may not stay in this happy state forever. As a professional middle class grows and gains resources and capacities to mobilize (moving the polity into the right column of dissipated resources and capabilities), oil monarchies may feel the heat of the opposition and respond with political liberalization (upper right cell). Or, as erstwhile thinly populated, resourceful oil monarchies become more populous, they may find that resource scarcity limits their ability to employ strategies of cooptation. This is the predicament in which Saudi Arabia has found itself since the 1990s and that may make reliance on repression relative to cooptation increasingly unavoidable. It may be for this reason that Saudi Arabia's efforts to coopt potential opposition forces, particularly by embracing Wahhabism as an orthodox Sunni religious doctrine, are in danger of becoming counterproductive for the regime incumbents and actually fund potential opponents.

Where political regimes control moderate resource flows, as is the case in populous oil-based economies, the struggle for scarce resources led to the displacement of monarchs or colonial powers in the 1950s or 1960s. As the cases of Egypt, Iraq or Syria illustrate, junior officers replaced monarchs with single-party dictatorships espousing a secular, national, socialist ideology and vigorously embarking on ISI economic strategies (second row left cell). These regimes repressed both radical Marxian challengers emerging from the universities as well as Islamist challenges of various stripes. Where resources have been highly concentrated, the small opposition groups of intellectuals and their offspring based in universities could be isolated by the heavy hand of the security establishment. It is an environment in which broad social constituencies disaffected by the incumbent regime have been divorced from insurrectionist intellectuals that the latter are likely to resort to terrorist strategies. Terrorism further deepens the rift between professional revolutionary cadres and mass constituencies. If the regime succeeds in then liquidating many insurrectionists, the survivors may go abroad and reconstitute their terrorist struggle in the international arena. From Russian anarchists and communists in late nineteenth century Russia to the present, acts of terrorism signal the presence of weak, divided, and isolated opposition groups unable to appeal to broad domestic social strata.

Iran constitutes an interesting and unique configuration within the Middle East (second row right cell). Here an oil-based dictatorship, disguised behind a monarchical veneer, ruled with the assistance of quasi-colonial external and domestic military support. Its resources permitted it to choose a mixed strategy of severe repression and selective cooptation. But it faced a civil society with a fairly wide dissipation of resources, particularly a domestic middle class of traders, artisans, and farmers that was difficult to hold in check because it had resources and capabilities to mobilize, mediated by the organizational structure of the Shiite clergy. This configuration yielded an explosive mixture of repression by the forces of order combined with intermittent, but often sustained popular radical mobilization. The challengers could finally assemble a broad coalition of peripheral urban masses, young intellectuals, and older petty bourgeois economic groups under the leadership of the Shiite clergy in the late 1970s and topple the Shah's regime.

As soon as this new regime had consolidated and fended off external challengers, however, the internal economic divisions of its support coalition came to the fore. The Shiite clergy essentially built a new ISI-inspired protectionist political economy that delivered neither growth nor jobs for the young educated or peripheral labor market entrants. It only satisfied the rent-seeking desires of the traditional petty bourgeoisie that was coopted into the regime by its protectionist practices.

Where regime incumbents operate under conditions of considerable resource scarcity, yet face a civil society with weak organizational capabilities, repression, combined with intermittent concessions and efforts to disorganize the incipient opposition, may well be the best survival strategy for incumbent authoritarian regimes (third row left cell). Also such regimes tend to originate in military coups that displaced ineffectual monarchs who lacked the resources or the partners in civil society to build more pluralist regimes. This situation prevails in Egypt, Syria, to some extent in Tunisia and increasingly in Central Asian countries some of which may yet rise into the tier of oil-rich, but populous dictatorships. Also under these conditions, the prospects for a broad-based Islamist oppositional movement are quite dim. The insurrectional leadership base is narrow and opportunities to forge broad societal coalitions are few. Again, insurrectional nodes of the young urban intelligentsia may choose radical terrorist strategies under these circumstances and face physical liquidation, if they do not emigrate to a foreign country.

Where authoritarian incumbents are operating under conditions of resource scarcity, but a wider dissipation of economic resources and capabilities across an independent middle stratum operating in the market economy, there chances are considerably brighter that incumbent regimes make concessions or

that domestic challengers force a political opening, although also here the ruling groups will resist full democratization (third row right cell). Domestic political opportunity structures here induce political entrepreneurs on the challenger side to assemble broad coalitions and to participate in a political process of negotiation with the regime incumbents rather than to opt out and choose terrorist strategies. The stop-and-go liberalization and de-liberalization in Jordan and Morocco can illustrate such developments. Even the multi-faceted domestic struggle of the Palestinians for liberation from Israeli governance may fit this configuration.<sup>11</sup>

Extreme resource scarcity on the part of political incumbents, finally, leaves open primarily strategies of appeasement and concession vis-à-vis opposition forces, punctuated by brief and ineffectual campaigns of repression (bottom row left cell). A broad dissipation of economic resources and associational capabilities in the population exerts further pressure on the incumbent elites to make concessions and open the democratic process (bottom row right cell). Obviously, as the case of Malaysia demonstrates, even under such conditions semi-authoritarian rule is likely to remain viable as long as economic performance is superior. It is not by chance that very populous non-oil producers operating in an environment of extreme resource scarcity and vibrant civic oppositional mobilization have displayed the greatest propensity to grant democratic competition, even though with constraints and intermittent authoritarian backlashes. It is also such constellations that facilitate the cooptation of fundamentalist Islamist movements. One examples of cooptation is the Muslim Youth Movement of Malaysia whose leader Anwar Ibrahim joined Mahathir Mohamad's ruling party and rose to the position of finance minister, deputy prime minister, and heir-apparent of the leader, until an internal power struggle landed him in jail. The other prime example is the Turkish Islamist party that has contested elections under ever new labels each time the existing party was outlawed under pressure from the secular Turkish military. In its most recent incarnation the party for the first time holds a majority in the Turkish parliament and supplies the government after moderating its appeal and turning into what may be the Muslim equivalent of West European Christian Democracy.

A survey of the eight configurations of regime incumbents' and their potential challengers' assets and capabilities reveals that the interaction of repressive governments with domestic or international terrorist insurrectional militants does not constitute the only, or even the dominant, strategic configuration in struggles over political regime form within the Islamic world. In fact, in this region configurations of regime incumbents' resource control and dissipation of assets to potential challengers are distributed such that all of the four most populous Muslim countries on earth with together more than 500 million inhabitants—in the order of population size Indonesia, Pakistan, Bangladesh, and Turkey—all were electoral democracies for some or most of the time in the 1990s. In none of these countries, terrorist activities were the dominant strategy of the opposition forces. Even Musharraf's current military dictatorship in Pakistan recently had to tolerate semi-competitive parliamentary elections in which fierce opposition parties contested the election and almost carried the day. In a similar same vein, the fifth most populous Islamic country—Iran—has an authoritarian regime tempered by constitutional, procedural constraints that have some efficacy even in the face of clergy rule behind the scenes. Also here, domestic mass protest rather than clandestine terrorist activity is the main mode of articulating oppositional demands. Thus neither predatory authoritarianism on the part of rulers nor domestic or international terrorist activity on the part of challengers is associated with Islamic countries in general. Only in the Arab Middle East, North Africa, and possibly Central Asia have political-economic conditions and legacies led to specific configurations of ruler and challenger asset control that favor the combination of

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<sup>11</sup> Of course, Palestinians have pursued a broad menu of strategies, including domestic terrorism. Because there are so many opportunities for insurrectional activity at home, Palestinians may have played a very low profile role in international terrorist organizations such as Al Qaeda.

repressive regimes with terrorist insurgent activities. The Islamic countries in which this configuration prevails account for a relatively small fraction of the Islamic world population.<sup>12</sup>

## FROM DOMESTIC TO INTERNATIONAL TERRORISM: A MATTER OF POLITICAL OPPORTUNITY STRUCTURES

The preceding discussion clarifies conditions under which opponents to authoritarian regimes, particularly in their predatory variant, may mobilize and challenge the incumbent rulers. Terrorist strategies result from the isolation and powerlessness of regime opponents precipitated by political relations in which (1) the incumbents have access to more than minimal and often quite ample economic means that are not extracted from the population, but derive from natural resource rents and (2) the potential challengers have few financial and organizational resources and capabilities to mobilize a broad social coalition. But further arguments are needed to explain how terrorist strategies move from domestic insurrection to international terrorism that targets external Western allies of the regimes in the Middle East the insurrectionist wish to see collapse. By targeting civilians in advanced capitalist democracies and above all the United States, terrorists intend to get back at repressive Middle Eastern regimes propped up by Western powers and probably not viable without their continuing support. The prime examples that come to mind are Egypt and Saudi Arabia. It is not by accident that many international terrorists assembled in *Al Qaeda* originate from these countries, but not from Bangladesh, Indonesia, Iran, Turkey, or even Pakistan.

There are at least two conditions that have facilitated the transfer of struggles against nationalist-socialist predatory regimes in the Middle East and Saudi monarchy into the international arena. First, as a consequence of the oil shocks, the Saudi Arabian monarchy employed its initially boundless resources domestically and internationally in a drive to promote its domestic version of fundamentalist Islam in order to bolster the legitimacy of its regime and advance its standing in the Islamic world. Fuelled by petro-dollars, Saudi religious charities strongly associated with state-sponsored Saudi religious conservatism, Wahhabism, began to export its fundamentalist reading of Islam to the rest of the Middle East. As Kepel (2002: 70) reports:

“By becoming the managers of a huge empire of charity and good works, the Saudi government sought to legitimize a prosperity it claimed was manna from heaven, blessing the peninsula where the Prophet Mohammed had received his Revelation. Thus, an otherwise fragile Saudi monarchy buttressed its power by projecting its obedient and charitable dimension internationally.”

Not only Saudi proselytism, but also the flow of migrant labor into and out of the Arab peninsula's major oil producer propped up a fundamentalist Wahhabist reading of the Koran. Many professionals from all over the Middle East who temporarily worked in Saudi Arabia returned affluent to their home countries, but also deeply influenced by the Wahhabite milieu: “[S]ocial ascent went hand in hand with an intensification of religious practice.” (Kepel 2002: 71) With the Iranian revolution of 1979 and the second oil shock, Saudi Arabia intensified its petro-dollar driven bid for ideological supremacy in the Islamic world. Later in the 1980s, Saudi Arabia and other oil sheikhdoms, together with the United States, financed the Islamic uprising against Soviet hegemony in Afghanistan. This effort ultimately resulted in

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<sup>12</sup> All Middle Eastern countries listed under groups I through III of table 3, minus Iran and the small oil sheikhdoms, barely add up to 230 million inhabitants, compared to the more than 550 million Muslims living in countries of group IV.

the rule of the Taliban in Afghanistan and the development of safe heavens for Al Qaeda terrorist training camps in that country.

Saudi foreign policy has followed contradictory imperatives. On the one hand, its external system of military and economic alliances has relied on support by the United States, particularly in the wake of Iraq's invasion of Kuwait and the Gulf War of 1991. On the other hand, for reasons of domestic legitimation and international regional leadership, the Saudi monarchy has promoted an anti-Western fundamentalist reading of Islam that helped to educate many of the terrorist cadres who turned against Saudi Arabia and the West in the 1990s. Religious fundamentalists displaced from other nationalist-socialist repressive dictatorships in the Middle East supplemented these cadres in their struggle against the incumbent Middle Eastern regimes and the West. The contradiction between religious fundamentalist teachings and international alliance system came into the open in the 1990s with the stationing of U.S. troops in Saudi Arabia. Moreover, changes in Saudi Arabia's domestic political economy—precipitated by declining oil prices and the demographic explosion—have made hitherto practiced techniques of financial cooptation of and side-payments to potential opponents increasingly unviable and force the Saudi regime to rely increasingly on repression of opposition rather than financial incentives to instill compliance with the existing order.

The second aspect of the international opportunity structure that facilitated the shift of the sites of battle about Middle Eastern regimes into the international arena has to do with the civil liberties and political freedoms enjoyed by residents in the Western hemisphere. Just as Russian opponents to the Tsarist regime in the 19<sup>th</sup> century preferred to seek shelter in Western democracies such as Switzerland or the Netherlands where civil rights allowed them to plan their insurrectionist activities, also contemporary Western democracies grant civil rights to non-citizens that have made such countries suitable platforms for displaced challengers from the Middle East to prepare terrorist activities back in their home region and beyond. West European bases of operation have been particularly convenient because of the presence of sizeable Muslim minorities and associational networks in such countries that have permitted potential terrorists to swim “like fish in the water” without easy detection. Furthermore, Muslim diaspora communities in West European democracies include a sufficiently large mass of economically marginalized migrants to create also the intellectual and emotional setting in which terrorist cadres could count on passive acceptance, if not active support. Ironically, it is the civil liberties that fundamentalist Islamic terrorist cadres wish to abolish that facilitated their own activities in the first place.

The displacement of fundamentalist Islamist terrorist activity into the international arena is thus the result of domestic power configurations between repressive, predatory Middle Eastern regimes and weak, isolated insurrectionist cadre as well as external political opportunities created primarily by Saudi foreign policy and the hospitality of Western countries to Middle Eastern opposition figures. Whatever religious legitimation adorns the attacks inflicted on Western citizens and institutions, such actions are the collateral damage resulting from a new strategy of Islamic insurrectionists to fight predatory Middle Eastern regimes. The liquidation of domestic opposition in countries such as Egypt or Saudi Arabia left many radicals no choice but the international arena. At the same time, Middle Eastern regimes funded international activities in Afghanistan and elsewhere that contributed to the growth of Islamist fundamentalism abroad.

#### **4. The Course and Consequence of Terrorist Mobilization**

It may be technically difficult to contain terrorism unleashed by Islamist insurgents who target Western citizens and institutions. But the fact that such terrorism has become a major channel of articulating radical Islamist demands is a definitive sign that fundamentalist Islam in the Middle East is in decline. Terrorism often results from the failure of oppositional forces to building encompassing oppositional coalitions against regime incumbents. Kepel (2002) and Feldman (2003) have convincingly argued that this proposition characterizes the current situation in the Middle East. Terrorism does not only result from political isolation, but also reinforces it. While broad social strata in many Islamic countries may be receptive to a general Islamist message, voicing discontent with ineffective, corrupt, predatory incumbent rulers and resentment of Western (Christian?) affluent democratic polities, the practice of terrorism tends to divorce insurrectionist cadre from those strata.

The high water mark of Islamist fundamentalism occurred in the late 1980s and early 1990s with the fall of the Soviet regime in Afghanistan, the advent of fundamentalist Islamic government in Sudan, and the moral loss of reputation in Saudi Arabia when it began to host Western troops in the aftermath of Iraq's occupation of Kuwait. Since then, fundamentalist Islamists have suffered a number of defeats that drove them further and further into isolation, but made them more likely to embrace international terrorism as prime venue to draw world attention to Middle Eastern political and economic deprivation. What caused the decline of fundamentalist Islamist movements?

The first and possibly most important, lasting setback for Islamic fundamentalism is the failure of the Iranian Shiite clergy to develop a successful Islamic road to economic development. The regime has delivered a warmed-over version of ISI economic policy with all the familiar detrimental consequences for domestic investment, savings, and productivity increases. As a consequence, it has generated a huge discrepancy between the vast mass of job seekers and the small number of available positions in a labor market driven by the entry of very strong demographic cohorts. The Shiite clergy has delivered benefits of protectionism to the old petty bourgeoisie of devout merchants and craftspeople and an initial windfall of political-administrative jobs for members of the revolutionary generation of 1979, provided they survived the war with Iraq. In the 1990s and beyond, the regime has produced economic drift and stagnation that deprives both the marginal urban poor as well as the young intelligentsia of economic opportunities. The Shiite clerical regime thus sets the stage for a new revolution with a secular, pro-Western thrust. Whether and when this revolution takes place depends on the determination and unity of the ruling clergy to employ force against insurrectionist stirrings.

The second disaster of Islamist fundamentalism came about by the military victories of the fundamentalist movements in Sudan and Afghanistan. Instead of demonstrating the ability of religious fundamentalists to create a modicum of social order and stability, initial success precipitated fierce internecine struggles that discredited the Islamists' promises to bring about a new vision of social development. As Kepel (2002: 361) paraphrases the interpretation of a Sudanese Islamic writer living in London, Abdel Wahab al-Effendi, "Afghanistan was the [Islamic renewal] movement's greatest triumph of modern times before it turned into its supreme catastrophe." According to Effendi, the fact that Islamists were solely responsible for these disasters, without being able to blame foreign interference, delegitimized the movement's efforts much more than the defeats of fundamentalism by military repression in Egypt and Algeria.

The third nail in the coffin of fundamentalist Islam was the bloody civil war in Algeria. Whereas in 1988 the fundamentalist Islamists initially could claim to be the standard bearers not only of moral

renewal, but also of democracy fighting a corrupt and predatory military one-party regime, their later terrorist actions against the Algerian civilian population completely discredited them and alienated the conservative pious Islamic urban middle class who turned toward support of the incumbent regime. In the end, the tactic of the radicals backfired to murder large numbers of Algerian civilians who were unwilling to cooperate with their cause. After a final round of bloodletting in 1997, the Islamist *Groupe Islamique Armé* declared in its last communiqué “responsibility for the massacres and justified them by declaring impious all those Algerians who had not joined its ranks. Thus, the GIA had finally chosen the option of *takfir*, the excommunication of society as a whole.” (Kepel 2002: 273)

In a similar vein, international terrorist activities masterminded by fundamentalist Islamists, even those directed against non-believers, are likely to divide Muslim constituencies that potentially share a common aversion to the incumbent Middle Eastern rulers. The level of violence and the absolutist rhetoric of fundamentalist insurrectionists signal to mass constituencies in the Middle East that regimes led by Islamist challengers could become at least as repressive, tumultuous, and economically ineffective as those of the current incumbents in their respective countries.

The broader lesson of the events in Iran, Sudan, Afghanistan and Algeria is that the economic interests of the potential constituencies for Islamist fundamentalism are too disparate and contradictory to create lasting alliances that could translate into stable and economically viable political regimes. Furthermore, considerable segments of the most aggrieved and alienated societal sectors—such as the young marginalized urban poor and the underemployed technical intelligentsia—could benefit from policies of market liberalization that directly fly in the face of a fundamentalist Islamist vision of society. Whereas the latter calls for the fusion of economic, political, and religious governance, such groups may benefit from market liberalization and a clear dissociation of markets, politics, and religion.

## **5. Cross-Regional Comparison: Is International Terrorism an Islamic Phenomenon?**

This paper has vigorously argued against the claim that the ultimate consequence of Islamic religious beliefs and of Islamic insurrectional movements against regime incumbents is international terrorist violence against the Judaeo-Christian West. I have developed a multi-layered causal argument that associates the empirical incidence of international terrorist actions with a specific configuration of regime incumbents and challengers in the Middle East. At its root, a necessary, but insufficient condition for terrorism is the prevalence of predatory authoritarian regimes whose incumbents extract resources while not offering the security and predictability of property rights and the regulatory institutions that would sustain competitive markets and make rationally calculating individuals save, invest, and thus promote economic growth. The deprivations suffered by large segments of the population in an environment of predatory, rent-seeking governance, however, translate into political mobilization only when two further conditions coincide. First, the strategic constellation of incumbents’ and challengers’ resources and capabilities is such that the latter have a fighting chance to press for regime change without facing certain demise. Second, the challengers have an ideational roadmap consisting of several elements. It allows them to distinguish “friends” from “foes” and identifies the root causes of the current predicament. Furthermore, it incorporates the vision of a new social order and of strategies to improve economic, political, and cultural well-being that resonates with large segments of the population and that is not discredited by past societal experiences. In the 1980s and 1990s, a particular fundamentalist interpretation of Islam served that purpose. Depending on the configuration of assets controlled and capabilities exercised by regime incumbents and challengers, the ensuing political mobilization could result in international terrorist activity.

Terrorism as a strategy to articulate dissatisfaction with an incumbent regime actually signals the failure of challengers to rally broad popular support around alternatives to the political status quo. The prevalence of Islam in a polity is not a sufficient condition for the propensities of revolutionary cadres to engage in terrorist violence against the West. But is the further inference justified that Islam may neither be a sufficient nor a necessary condition for the occurrence of widespread terrorism in the twenty-first century? Following Goldstone (1991a and b), I believe that a unifying ideology is necessary to sustain political mobilization ultimately rooted in severe economic and social deprivations and aimed at a fundamental replacement of the existing political system. If the prevalence of Islam is not a necessary condition for sustained international terrorism at this time, what are the ideational alternatives that could buttress terrorist activities elsewhere under circumstances of severe socio-economic grievances and a political opportunity structure characterized by intransigence of the rulers to demands advanced by insurrectionists?

At least currently, I do not see an alternative ideology waiting in the wings and ready-to-go that has terrorist potentials equivalent to or exceeding those of fundamentalist Islam. As the earlier quote from Avinieri illustrated, other known alternatives to democratic liberalism have been discredited in the eyes of most citizens in Middle Eastern countries by historical experiences in the twentieth century. The current lack of ideational alternatives to Islam, however, does not rule out that future revolutionary cadres will be able to invent new ideologies to guide their struggles, just as the leaders of the *Taiping Rebellion* did in mid-nineteenth century China. We know certain *functional features a viable ideational doctrine must invoke* to mobilize opposition to predatory authoritarian governance. Above all, such doctrines must promise a new communitarian unity that fights against the economic and political individualism and its correlates—alienation and anomie.

We also know that outside the Middle East there are regions of the world structurally conducive to revolutionary insurrections the failure of which may fuel international terrorism. The Central Asian fission products of the Former Soviet Union, from Azerbaijan and Chechnya (when it was semi-independent) via Kazakhstan and Kyrgyzstan to Tajikistan, Turkmenistan and Uzbekistan certainly have developed (or preserved and refurbished?) predatory authoritarian regimes over the past decade. They involve configurations of actors that may lead challengers to opt for international terrorism. So far, these terrorist aspirations have been framed in Islamist terms (cf. Rashid 2002). The other world region with severely predatory governance, isolation from the world economy, and ongoing relative and even absolute economic decline is Sub-Saharan Africa (Van de Walle 2001). In a significant subset of countries in this region, fundamentalist Islam would currently be an attractive interpretive frame to fight existing grievances, in many others it would be not. It is unclear, however, what other ideational offers could guide insurrectional activities and ultimately terrorism, where fundamentalist Islam is not a viable option.<sup>13</sup>

Thus, while ideology is indispensable to orient fights for political power and control, it would be inaccurate to characterize any particular world religious civilization as more or less prone to a particular kind of democratic or authoritarian rule. The association of Islam with authoritarian and predatory rule in the Middle East, but nowhere else to the same degree and intensity, is the result of economic conditions and institutional legacies unique to this region, but not derivative from Islam in general. Both regime

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<sup>13</sup> Of course, in a number of countries, more narrowly defined ethnocultural concerns have inspired civil wars and domestic acts of terrorism. One might think of Sri Lanka or of Peru, to name only two conflicts prominently featured in international news media. To become more than local struggles, however, they would have to connect to a broad, generalized, universalistic ideology. In Latin America, at least, this link usually still goes to latter day variants of dependency theory, such as among the intellectuals guiding the *Indio* movement in Chiapas/Mexico or on the Peruvian highlands.

incumbents and challengers in this region employ religious arguments to frame their own claims and persuade individuals and groups to join their struggle. But it is conceivable that insurrectional actors invoke non-Islamic religious or secular ideological justifications of their struggles in other world regions where predatory rule causes severe social grievances and challengers find political opportunities to attack regime incumbents.

Let me finally return to the second positive analytical question I posed in the introduction to this paper. Is fundamentalist Islam, and more specifically its international terrorist variant, a “causally adequate” response to the grievances that prompted its growth since the 1960s? My tentative answer to this question is no. Where fundamentalist Islamists have gained power, they have been unable to organize a political-economic strategy of development that would remedy the economic grievances that prompted mobilization. Because of this policy failure, Islamist regimes cannot maintain the political coalition of social forces that achieved the collapse of the preceding predatory political regimes. Important elements of the Islamist coalition would be economically better off, were they to embrace market-liberalizing, secular political programs. This applies at least to the young intelligentsia that furnishes the radical insurrectionist cadres and terrorist suicide bombers, but also to segments of the marginalized young urban poor.

Where fundamentalist Islam has failed to gain power, finally, terrorist strategies of its most radical current have divided the potential coalition partners even where they agree on a rejection of the political status quo. While in the future Islamist fundamentalists may score an occasional victory over an existing Middle Eastern political regime here or there, for example in an oil-rich, but populous and economically declining country with a predatory government, its grand vision is a spent force and unlikely to win whole blocs of countries over to the Islamist cause.

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