

STRUCTURAL CHANGE AND ECONOMIC DEVELOPMENT IN THE ISLAMIC MIDDLE EAST 700-1500

Keynote address

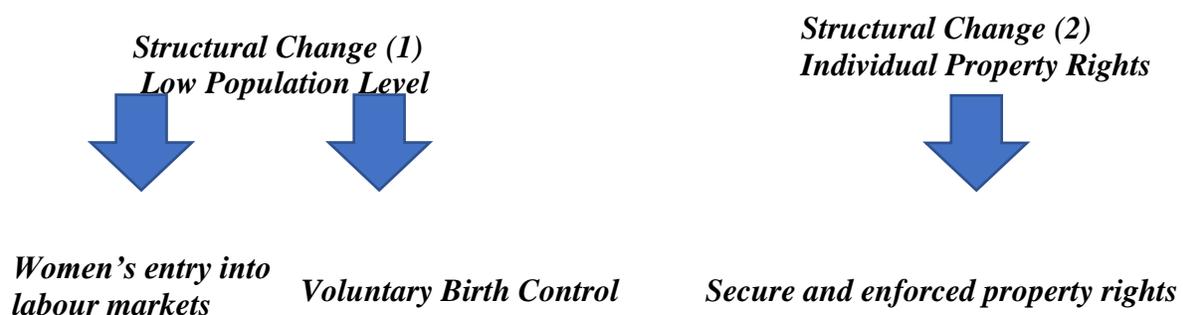
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We all know what plagues the economic development in the contemporary Middle East: lack of support of intellectual freedoms, lack of the rule of law, lack of citizenship rights, lack of entrepreneurship and markets, as well as lack of attention to the multitude of national experiences, all are obstacles on the road to development. We also know that bringing economic prosperity to the Middle East is indeed a challenging task, one which the science of economics has still to resolve. I suggest that history, the study of the past, and more precisely the study of the economic history of the medieval Middle East, may have a role to play in explaining the current crisis. It may be a temerity on my part to but I believe in lessons from history and I can back it with empirical evidence.

So far, economic history has not been very helpful in deciphering the history of economic development of the Middle East. Although the literature on the Middle East has swollen in recent years from a trickle to a torrent, somehow its message has remained the same. Namely, that poverty, underdevelopment, decline and lack of reform in the contemporary Middle East have their roots in the failure of past Islamic economic institutions. Islamic economic institutions were, and are, inefficient and growth retarding, averse to change, path dependent, lacking 'creative destruction', 'extractive' rather than 'inclusive'. Whether it is the New Institutional Economics, (NIE), or economics of religion, or the economics of culture, representing the new trends in economic history of minorities and ethnicity, they still embrace the 19th century Islam belittling spirit. Indeed, Middle East history, received a curt and quick dismissal at the hands of economic historians and their skewed methodologies, adopting on the one hand a narrative discourse, and on the other, the most sophisticated theoretical economic history literature to analyze it, with nothing in-between, no empirical evidence whatsoever. Surely, economic history journals will never publish articles employing such flawed methodology in the investigation of Europe's economic history!

Yet, empirical evidence exists and it offers a very different picture. It shows that Islamic economic institutions including Islamic law, the villain in the story, are the product of change in economic structures and were instrumental in further economic development, accommodating, facilitating and enhancing economic tools. Two cases may demonstrate the point that I am making, using empirical evidence and highlighting the role of Islamic law. The first is a change in demographic regime, the second in property rights, both settings of economic development. The first was manifested in long-term low population levels and a transition into low fertility regime, the second by a shift from collective to individual property rights, with equal property rights for men and women. The consequences rendered in economic growth terms were rise in productivity and increase in living standards carried out under the rule of law.

Early structural changes in the Middle East



Empirical evidence shows that change in population levels was the first structural change in the Islamic Middle East. Population was high before the Islamic conquest, one may even say it reached Malthusian dimensions with implications for economic growth. However, from a peak in the sixth century, the Middle East's population declined by 20% after the first outbreak of the Justinian Plague in the sixth century, climbing to 50% after repeated plague recurrences over the next two centuries. Population began to recover in the ninth century, but the long-term low population level, unmitigated by immigration, settlement policies and slave imports, had its impact on labour markets. Manpower shortages opened labour markets to women, facilitating growth in urban manufacturing, increasing productivity and enhancing division of labour. There were other changes in demographics to follow, with the adoption of the practice of voluntary birth control endorsed and sanctioned by Islamic law. Economic history literature, in particular,

growth theory, gives central role in reproductive behaviour in economic growth. It was the only way to keep population from consuming economic gains and encouraging growth in human capital. We have no way of knowing how effective the technique was except to point to more empirical evidence of low population, increased human capital and legal defense of the practice.

The second structural change was a shift in property rights. Individual property rights replaced the common property rights regime practiced by pre-Islamic Arab society, a typical regime of nomadic groups. Islamic law was formulated in an environment where land and real estate were held individually, so the shift is credible, but Islamic law also gave equal property rights to women in a marital regime of property separation that was innovative enough. The advantage offered by enforced property rights regime to economic development need not be reminded. Property rights provided better protection to economic investors and better income distribution, they limited “free riders,” minimized transaction costs, and increased efficiency in the economy in general. Muslim legal minds had no difficulty in grasping the concept in theory and practice, and in fact surpassed their Jewish and Christian contemporaries by providing the economy with solid framework for their implementation. I studied the evidence of the Arabic sources on women’s property rights, and it is overwhelming. From legal theory, *fiqh* and *furūc*, to records of legal practice in contracts, *shurūt*, *kutūb wathā’iq*, in records of enforcement through archival court documents and through jurists’ consultations, *fatwas*. A summarized version is included below.

Women’s Property Rights in Islamic Law

Right	Acquisition	Requirement	Legal Status
Receive mandatory gift (bride price)	Marriage	Marriage	No forgiveness or trading in allowed
Receive mandatory maintenance	Marriage, divorce, widowhood	Marriage	May be traded for husband’s rights
Inheritance (mandatory)	Any time	Any time	No forgiveness or trading in allowed
Receive gifts	Any time	Any time	Forgiveness option
Earn wages	Any time	Occasionally husband’s agreement is required	No forgiveness or trading-in
Invest (sales, loans)	Majority	Majority and release from interdiction	No forgiveness or trading- in
Giftng	Majority	Majority and release from interdiction	At will

Agree to consummation of marriage	Marriage	Delivery of bride price	Taking possession of the bride price
Agree to birth control	Marriage	Compensation required	Only to free women
Receive payment for wet nursing	Marriage	Husband's agreement	At will

We can see how systematic and efficient was the legal framework of women's property rights. It detailed everything from the timing of acquisition to the details of mandatory property gifts, such as dowry and inheritance, as well as income generated from labour. The law also gives women, -and men- property rights over their physical bodies, thus providing the legal context of the practice of voluntary birth control mentioned earlier. Protection of females' gains was enforced not only by making property rights gender blind but through the legal separation of property in marriage.

In conclusion, empirical evidence provides content and context to Islamic economic institutions. By empirically establishing the occurrence and historical circumstances of structural changes, it was possible to positively link them to economic development. Through empirical evidence we can also demonstrate the benefits and impact of the early Islamic economic institutions on the economy and on economic actors individually. It was 'individualist' rather than 'collectivist' identity that was developed and sustained through the individual property rights regime and the mechanisms of their enforcement. Individual economic agency and entrepreneurship could be efficiently executed once protected by a written code of law. Such is the correct historical message delivered by empirical evidence on the true nature of Islamic institutions. Instead of an image of stagnation, theirs was one of economic dynamism and flexibility. Whether they are referred to as 'Islamic' or simply economic institutions, they are likely to be flexible in the right social and political environment.