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Recent trends in Middle East economic history: Cultural factors and structural change in the medieval period 650–1500 (Part two)

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1 | INTRODUCTION

Ultimately, the changes to the structures of the economy in the Middle East explain part of the growth in the economy, but not all. A shift to property rights, for instance, could not have occurred without a state, "a specialized form of organization, to specify, adjudicate and enforce property rights" (North, 1981, p. 64). Indeed, the early Islamic state, that of the Umayyads and Abbasids, played a significant role investing in and organizing the economy (Brett, 2011; Frantz-Murphy, 2007a,b; Sijpesteijn, 2013; Blaydes, 2017). The imperial administration in the early centuries of Islamic rule implemented several policies and presided over cultural processes that benefitted the economy. The new regional states in the Middle East and North Africa, successor states that followed the dismemberment of the empire and reconstituted themselves as independent units with state capacity, benefitted from these policies. The term state capacity refers to the power of the state to discharge its responsibilities and efficiently organize the economy, extract resources, collect taxes in equitable manner, distribute the benefits accrued to society, defend its citizens, invest in, and organize economic activities (Besley & Persson, 2009; Blaydes, 2017; Dincecco, 2017). The question at hand is to demonstrate how did the successor-states by maintaining the benefits obtained during the Empire period in the post-Empire period, save on the costs involved in state formation and in building state capacity (Bosworth, 2004; Spuler, 1977).

Two such policies put in place by the imperial administration with long-term effect on the economy and eventually on the economies of the successor states demonstrate the saliency of the question. The first was a policy of urbanization, the second one of monetization. As Arab and other groups contributed new immigrants to the Middle East to settle in cities, the region experienced higher urbanization rates than elsewhere. Bairoch (1988) estimates that "Around the year 1000 the Muslim world must have had approximately 40-50 cities with populations of more than 20,000, 6-8 of which had populations of more than 100,000 (pp. 374–375)." They were larger than European towns and served different economic activities: There were mining towns, as well as agricultural and producer towns. Comparative estimates suggested that the urban network had fewer smaller towns than Europe but the level of urbanization in the Muslim world was approximately 10–13% as opposed to only 8–9% in Europe (Bosker, Buringh, & van Zanden, 2013).

The second policy was the centralization and systematization of the monetary system. As early as the seventh century, the central administration in Damascus introduced a new unified currency with all coins inscribed in Arabic and bearing the same religious symbols (Ehrenkreutz, 1977; Shatzmiller, 2017). The coinage was linked to three

precious metals (gold, silver, and copper) and termed dinar, dirham, and *fals*. The administration in Baghdad finalized the coins' shape and inscriptions and imposed state monopolization on minting operations by sending the coins' mold to the various regions, one of the fundamental features of state capacity. Within 100 years of the reform, all provinces executed the minting directives from the capital. The systematization of the currency was accompanied by an increase in the quantity of money. The number of coins in circulation increased, empowered by invigoration of mining and minting operations. More coins in circulation facilitated tax collection and distribution of income through cash wages, making it easier for peasants to sell their crops to pay their taxes in cash. Liquidity and unified coinage system mutually reinforced urban and rural markets and encouraged inter-provincial trade by integrating export and import markets. The fact that each of the successor states maintained the coinage and the monetary system testified to the significance and success of the policy.[1]

Only recently have we come to appreciate the advantages accrued to the economy through the monetary reform and other means of standardization which occurred under the Umayyads and Abbasids (Shatzmiller, Forthcoming).[2] The term "border effects" is used by economists to point to the obstacles posed to international trade in the form of languages, laws, weights and measures, coinage, institutions, and culture. Historians of medieval Europe see "border effects," which have taken long to disappear in medieval Europe, as the major historical obstacle to trade (Persson & Sharp, 2015). Thanks in large measure to Arabization and Islamization, not only money but also weights and measures were standardized, transaction technology was unified, so that by the eleventh century trade among the various former provinces appears to have accelerated. Border effects were largely erased, and commercialization at several core economies extended to the provinces.[3]

The early policy of urbanization together with Islamization and Arabization played a role in speeding up the process of cultural identity formation, human capital improvement, and human capital formation. The two processes are not commonly associated with economic impact but in effect may have contributed to state capacity in the early Islamic state. The Arabization of the cultural institutions and improvements in written language and script, as well as the shift from oral culture to a written one, were instrumental in the development of literacy tools and learning institutions, elementary schools, libraries, book sellers and copiers, and later the secondary school, *madrasa*. Growing measures of literacy and numeracy improved general levels of human capital and facilitated human capital formation.

The efficiency in knowledge storage and transmission that accompanied growth in literacy was crucial to the improvement in human capital formation. Arabization, more than Islamization, played a role here. Documents, books, and writing material improved the transmission mechanisms facilitated dissemination of technological innovation efficiently and diffused it with ease. When language and script were shared, administrative practices, invented and developed elsewhere, could be transmitted from one royal court to another with minimal cost. The state bureaucracies were the first to benefit from the new system of knowledge diffusion (for the example of Yemen, see Smith, 2006). Transmission from one region to the next was facilitated by the growing use of Arabic in scholarly writings and business transactions. The institutions of learning themselves were efficiently transmitted and transplanted. The *madrasa* which appeared in eleventh century Iraq showed up in Morocco in the thirteenth (Shatzmiller, 1976). Division of labor and specialization benefitted from the arrival of cheap paper, and the standardization of the Arabic language as technologies could be cheaply and effectively diffused. This is not to say that learning by doing was not an essential part of apprenticeship, just that the entire process of technology transfer benefitted from an additional tool which enhanced human capital formation.

The enforcement of property rights benefitted not only from Arabization but also from standardization of the court documents. Economic and legal transactions were written in Arabic or in Arabic derived languages, such as Judeo-Arabic. All documents used the same language and script, but most importantly obeyed one legal code. Islamization meant formation of a unified legal body and processes used in court procedures. Both were crucial to the implementation of court ruling on enforcement of property rights which relied on religious institutions for enforcement. "The rule of law" at courts made it possible to keep down costs by having only a small police force to enforce it. The result was growing efficiency in the economy.

The successor states strove to maintain the political institutions of the Umayyad and Abbasid Empires. Political institutions such as Caliphate and Sultanate ended in institutional hybridity when they emerged under the Buyids in Iraq in the tenth century or under the Mamluks in thirteenth century Egypt, but in most regions, the standard Islamic dynastical rule emerged with identical administrative patterns, practices, occupational titles, borrowed from the empire period. Instrumentally, they provided stability to the economy and legitimacy and enhanced state capacity.

Other indicators of state capacity were harder to achieve, implement, and maintain, or were simply lacking. For instance, the most crucial one, taxation, remained an ongoing concern to the Islamic state. Our knowledge of how and how much taxes were collected by the state is negligible at best, even for Egypt (Johansen, 1988). Both in Egypt and in Iraq, the power of the state to effectively tax the economy was continuously challenged. There was a continuous shift not so much in land ownership but in the power to collect taxes from it and in the identity of the beneficiaries. A major shift occurred with the loss of income from the land to the small holders shifting it to military and religious elites, which triggered loss in tax revenue to the state. The introduction of the military *iqtāᶜ*, the granting of tax revenue from state land to army commanders, in Iraq by the ninth century and in Fātimid Egypt by the tenth, shifted income from land from the state to individuals: The military collected their pay directly from the peasants, a considerable blow to state capacity (Ben Abdallah, 1986; Cahen, 1953; Rabie, 1972).

Nonetheless, the Islamic state in the Middle East and North Africa inherited, used, and built strong state capacity on the foundation of the empire. Two examples may illustrate the point, by illustrating both the strength and weakness of the Islamic state in the post-empire era, the first is Egypt, the second, Morocco. By the time the Arabs conquered Egypt, it already enjoyed an intensive and sophisticated land use with crop rotations, irrigation, use of new and abandoned land, and labor intensive farming techniques, although improvements were still possible. With new and high-yielding crops such as sugar cane, cotton, and flax, agriculture managed to offer high returns on investments (Frantz-Murphy, 1981; Squatriti, 2014; Watson, 1983). Egypt's economy continued to expand with the opening of the Indian spice trade, but shifts to industrial crops, and new industries may not have ensured sustained growth and the economy declined in the Mamluk period (thirteenth–sixteenth) centuries. Morocco, with different climate, natural resources, and no economic prosperity prior to the Islamic conquest, became a military power and prominent player in the western Mediterranean. It was the beneficiary of the changing strategic alliances in the neighborhood and developing new economic needs of which Egypt was the victim. Beginning in the eleventh century, the Moroccan state began organizing efficiently the exploitation of its economic resources. Expansion into Muslim Iberia and North Africa was facilitated by robust population numbers that enabled the Moroccan sultans to mount a powerful army (Shatzmiller, 2014). Morocco reached its prime under the Almoravid, Almohad, and Marïnid dynasties when it forged an Empire consisting of Western and Northern Africa and Muslim Spain. It built its hegemony on its control of the African gold mines, responding to demand from Europe, increasing urbanization, building new legal institutions, and recruiting Christian and Turkish mercenaries and paying them in high-quality gold dinars. Elimination of border effects made it possible for the great Ibn Khaldūn to be employed by various states' administrations, Iberian, North African, and Egyptian. Taking a leave of his administrative duties in North Africa, he could see through his philosophy of history, signaling a second Islamic Golden Age of intellectual creativity.

In conclusion, the initial costs of state capacity building paid by the Empire were of tremendous impact on the future of the successor states. The costs involved in developing a monetary system, a legal system, political, and administrative system were financed by resources of the Empire. The Empire rewarded technological innovation and funded the processes through which technologies could be cheaply and effectively implemented and diffused. With lower costs of improvements in human capital and in human capital formation, the successor states enjoyed lowered prices of inputs and benefitted from economies of scale. Economies of scale are economies that take maximum advantage of the resources available with minimal possible input. These were economies that already possessed the technology they needed to improve production, and no longer needed to invest resources in developing and perfecting it. Nonetheless, with the passage of time, the Islamic successor state owed more to individual trajectory, natural resources, climate, location, global conditions then to the benefits derived from the

structural and other changes in the imperial period. Those provided initial strength but were no longer strong enough to offset changes in the later Middle Ages.

2 | CONCLUSION

The idea that economic institutions born out of the Islamic conquest of the Middle East were unfavorable to economic development was intuitive to the need to explain the prolonged economic deterioration of the Middle East. If indeed positively established, inadequate and growth-retarding Islamic economic institutions of majority-Muslim states need to be scrapped. Notwithstanding present obstacles to economic development in the Middle East, the study of the historical performance of the Middle East economy does not support the notion that cultural factors, whether inspired by religious prescripts or by Islamic social norms, negatively impacted economic performance. Empirical evidence from the medieval Middle East does not corroborate the negative role attributed to cultural factors and is inconsistent with the evidence on standards of living and the spectacular scientific and technological achievements of the Islamic Middle East. On the other hand, changes in structural factors occurred, which in accordance with economic theory produced growth, not retarded it. Enforcement of individual property rights, lowering and maintaining low population levels, and increasing division of labor were powerful changes in economic structures.

It is necessary to recognize the role performed by the Islamic state in the economy, a role shaped during its first phase, as an Empire, 650–1000, and which was continued in the second phase, under the successor-states. During the first three centuries of Islamic rule in the Middle East a dynastic Islamic state organized the economy, directed and set goals that resulted in strong economic performance. The imperial state implemented policies and institutions that had a long-term effect including monetization, urbanization, Islamization and Arabization, as well as establishing social, political and economic institutions, eliminating border effects, facilitating trade, that benefited their citizens in the long-run.

Intellectual and technological achievements require well-being: "Innovation of any kind is unlikely in a society that is malnourished, superstitious, or extremely traditional," argues the author of a study of technological innovation in Europe (Mokyr, 1990, pp. 11–23; Gutas, 1998). Such were the conditions prevailing which provided the context of the expansion and growth of the period referred to as "the Golden Age of Islam." It was the background upon which educational institutions emerged, higher standards of living achieved, knowledge was gathered, and innovation took place.

Finally, comparative evidence is equally instructive. The Carolingian Empire in Europe, a contemporary of the Umayyads and Abbasids in the Middle East, inherited a geo-political context similar to theirs, but Europe under the Carolingians was not a success story. The Carolingian Empire did not alleviate the underdevelopment caused by the prolonged decline of Roman Europe. Geo-political divisions in Europe continued to disrupt the flow of ideas, technologies, and goods (Persson & Sharp, 2015). Muslims translated various sources of knowledge into Arabic, and Islamic science and technology were studied and developed whereas Roman technology remained dormant in Europe. The Umayyad and Abbasid administrations made rational decisions on economic investments, on the reorganization of resources and on new monetary policies. They supported changes and intervened vigorously to initiate and impose innovation throughout their territories. They may have not set out to make change in structures, but structural changes followed. While political, religious, and military conflicts continued to prevent Europe's emergence, Muslims adopted new social norms to accommodate the structural changes that were taking place in the economy, such as implementing property rights in Islamic law in the economy. Medieval Europe continued to struggle for the next 500 years and had to wait to 1300 before technological innovation occurred and economic growth began (North, 1981; Persson & Sharp, 2015).

Endnotes

[1] See the database of all gold, silver, and copper coinage adopted by the successor-states at http://www.medievalislamiceconomy.uwo.ca/money_coinage/index.html.

[2] For a complete database of measures and weights, see http://www.medievalislamiceconomy.uwo.ca/measures/index.html

[3] The *Geniza* society thrived on this commercialization. For items manufactured and traded in various cities across the Empire, see al-Muqaddasī (1994).

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