

What did hold back the Middle East? The thesis of *the long divergence* revisited

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Introduction

The Middle East, beginning from the mid-seventh century for about one thousand years under the Muslim rule, experienced remarkable development, strong economy, high standard of living, and brilliant cultural and scientific activities. Then started a period of fall which continued for about four centuries. It is the same period when Europe made tremendous progress in the field of science and technology, politics and economics. The investigation into the causes of the rise of the West and decadence of the Middle East is very pertinent theme, and a number of have been accomplished on its various aspects. Still disagreement exists on the real causes of decline. The context of the present paper is a recently book entitled *The Long Divergence: How Islamic Law Held Back the Middle East* by Timur Kuran.¹ The gist of *the Long Divergence* is that when the West gradually made the transition from medieval to modern economic institutions, corporations, banks, and big trading companies, which could assemble greater capital and survive longer, played the vital role in its development. Since certain provisions of Islamic Law seemingly result into fragmentation of assets, in the opinion of Kuran, they proved impediment in the way of accumulation of capital and continuation of corporations, hence responsible for the fall of the Middle East whose dominant population is follower of Islam.

Indeed, to blame Islamic law for decline of the Middle East is amusing and a novel explanation but at the same time a simplistic analysis which has hardly anything to do with the deep rooted causes of economic decline of the Middle East. In fact, it is not only the matter of the Middle East. It is the West vs. the rest.²

For a person aware of the history of region, it is difficult to agree with the thesis of *the long divergence*. Its fault is obvious from the fact that under the full implementation of Islamic law, the region made enviable development for about a thousand years. Again the twentieth century developments in the Middle East proved inaccuracy of this thesis. Now the Middle East has big corporations, banks, investment trusts, industries, commercial exhibitions, etc. at the same time increasing adherences to the Islamic Law. In fact the modern economic institutions are effects of some other stronger factors. A holistic approach is required to find out the real causes of the fall of Middle East behind the West. This needs revisit of the thesis of the long divergence.

Emergence of Divergence

Between the tenth and thirteenth centuries the Middle East was among the most advanced parts of the globe. At the time when Renaissance sparked, Muslim governments surpassed Europe in nearly all respects, including living standards, science and the arts. Economically also they were very rich (Hodgson, 1974, p. 47). However, from the thirteen century onwards the balance of economic potential and technological scope (including scientific and economic) moved progressively in

Europe's favour (Cipolla 1977, p. 10). Starting from the 16th century the graph of economic and intellectual power of the West started rising and that of Middle East began sliding and the divergence became longer and longer in the course of time.

It is a well-known fact that in development of the West, the scientific, intellectual, and economic advancements, that were taking place in Europe, played the vital role. The Renaissance that started during the fourteenth century, intensified in the subsequent centuries. It had wide-ranging consequences in literature, philosophy, art, politics, science, religion, and other aspects of intellectual enquiry.

In development of Western economies, important role was played by the state, intellectual advancement and scientific discoveries, invention of printing press, use of machines, improvements in production techniques, rapid increase in production, availability of surplus product for trading purpose, discovery of a new world that provided new markets, establishment of colonies as a source of raw material and ready market for finished products, and a newly discovered all water route of European trade through the Cape of the Good Hope. These developments led to the foundation of corporations, maritime trading companies, establishment of banks, and capital accumulations. Since the Middle East was completely absent from all prerequisites of developments, consequently, modern economic institutions did not emerge in the region until the nineteenth century when intellectual and economic awakening began as a direct contact of Europe. In the following sections we study, in some details, the factors that held back the Middle East.

Lack of political will and the state support:

During the centuries of decadence, the states in the Middle East did not pay attention to establish institutions that could promote economy and living standard of their people. The Ottoman Empire, that ruled over the major part of the region, struggled only to maintain its dominant status as a global power. In many cases, its policies had discouraging effects and harmed undertaking such efforts.

A clear example is grant of capitulation.³ Ottomans bestowed upon the European merchants the capitulation but got no such concession for their own subjects (Hurewitz, 1987, Vol. I. P.1). The Western countries greatly benefited from the trade concessions received from Muslim governments. France, having friendly relations with the Ottomans, got capitulation as early as 1569 for trading in Ottoman territories. At that time the other European countries had to sail and trade under the French flag. In early seventeenth century half of France total trade volume was in the Levant. The English and the Dutch were granted capitulation in 1580 and 1612 respectively." Except during the civil war between 1642 and 1660 the English had the lead in the Levant trade in the seventeenth century (Inalcik, 1974, p. 57). Levant trade played such an important role in the economic development of Europe that according to W. Sombart 'without recognizing the significance of the Levant trade for Western economic expansion it is difficult to comprehend the rise of Western capitalism' (ibid.). The Ottoman policy of 'low tariffs' on foreign traders and granting them '*imtiyaz* or capitulation' ultimately prevented them from modernizing their own economy (Kortepeter, 1974, p. 59). We could not find any example that Middle Eastern states had secured such a capitulation within European countries where they could enjoy similar rights. The Middle East did not realize that these capitulations might be misused for political manipulations or even colonization of their lands and enslaving the natives. The author of *the Long Divergence* rightly states: "If in 1680 Turkish merchants were absent from Marseille, one reason is that Ottoman sultans did

nothing significant to facilitate their ventures into Western Europe" (Kuran 2012, p. 270), and "When economic modernization took off in the nineteenth century, states were in the lead on various fronts" (ibid. p. 299). Had the state played its role in economic and scientific development of the region three centuries earlier, it must have not seen the long divergence.

The fall of Kārimī merchants presents another example of state's antagonistic attitude and hostile policy towards the merchant class. 'The activities of the Kārimī merchants reached from the Maghrib to China. Some were as powerful and rich as 'kings', with their own armed caravans, and with guards, commissioners, partners, slaves and servants' (Labib, 1990, 4:641). During the 15th century decadence of Kārimī merchants set in when the Mamluk Sultan Barsbay (d. 842/1438) monopolized the pepper and spice trade, the main trading commodities of the area. Ibn Iyas (1960, Vol. 4, p. 443) reports that whenever a merchant grew very big, he was suppressed at various pretexts. Whenever the Treasury lacked sufficient fund to meet expenditure, traders were taxed which forced them to change their business.

Intellectual impoverishment in the Middle East:

Economic conditions are, in most cases, a reflection of the political and intellectual situation of a country. A strong economy can hardly exist with an incompetent government and poor brains. In many cases, they work like a vicious circle.

Perhaps the intellectual impoverishment started in the Middle East long before the political and economic decline. In the previous centuries, the so-called closure of the doors to after the 4th/10th century had a devastating effect not only on religious thinking but intellectual growth as well. It discouraged original and creative thinking on religious issues, which unconsciously extended to social and scientific matters as well. The wrath of the traditional scholars was easily aroused against unfamiliar investigations. The first Ottoman observatory erected during the reign of Murad III (1574-1595) was 'destroyed with all its contents at the instance of the then *Shaykh al-Islam* on the pretext that astronomical observations were unlucky (Gibb and Bowen, 1969, 2:148. They refer to Adnan 1939, pp. 78-79). Some of the reasons for this apathy may be the rigid imitation (*taqlid*), sense of superiority complex, and hatred to everything that was coming from the West. The Ottomans were mainly concerned with the political developments of Europe. They paid little heed to deeper and more significant developments in the intellectual, scientific and technological spheres' (ibid., p. 106). They tried to find the solution to their problems in past events. 'There was no thought of innovation, no willingness to experiment with new institutions' (Itzkowitz, 1980, p. 107). Such a phenomenon is still not rare among the traditionally trained students in the present day situation. The decline in independent thinking has already yielded to stagnation. After the 9th/15th century one can hardly find a piece of work that matches the contribution of earlier scholars of Islam.

In the diminishing phase of intellectual exercises the dominating features were imitation, repetition, reproduction, writing commentary, commentary-over-commentary, emphasis on traditional education, etc. For example, Ali al-Halabi (d. 1044 / 1634) wrote *Sharah `ala Sharh al-Qutr*, *Sharh Sharh al-Azhariyah*, *Sharh `ala Sharh al-Basmalah*, etc. (al-Muhibbi, 3:123). Writing a commentary on the works of fathers and forefathers was a new trend in this period (ibid. 2:122,199; 3:89).

As the door of *ijtihad* (original and fresh thinking) remained closed in the decaying centuries (Ibn Nujaym 1980, p. 87; al-Haytami, n.d., 2: 213).⁴ In such a situation the best minds in the Middle East were concerned with orderly and systematic presentation of the thought of their forebears mainly in traditional sciences. They could demonstrate an encyclopaedic command of earlier thought but they did not try to make an addition or innovation.

This is not to deny existence of scientific education altogether. From the rational sciences, geography and medicine received favour due to their use for navigation and treatment of sick respectively. The foundation of hospitals had long ranked among laudable good works. However, soon they were left behind by their contemporary Europe in these two areas too. In the opinion of Lewis (1982, p. 229), 'The leisurely pace and timeless framework of Ottoman scientific writing had already given rise to a serious time lag between Western and Ottoman science. It was to become much wider'.

Commenting on Muslims' apathy towards intellectual and scientific researches, Armajani (1970, p. 177) rightly observes: "It is significant to note that two centuries of contact with Europe had not created much intellectual reaction either in Iran or in the Ottoman Empire. Both the Turks and Persians copied from the West the technique of making cannons and mortars, but that seems to be about all".

New dimensions in economic thinking and innovations came at halt. Economic ideas discussed by al-Ghazali, Ibn Taymiyah, Ibn Khaldun under *adab al-ma`ash* (the arts of living) could not be improved in later centuries. One can compare it with the Western scholarship. After learning Greek economics and philosophy 'through Arab and Semite mediation' (Schumpeter, 1997), the West kept on developing it. More than 1500 treatises, tracts, pamphlets, handbills and broadsides related to economic issues were written only by Englishmen during the course of seventeenth century (Appleby, 1978, P. IX)p. 4). From scholastic economics they shifted to mercantilism which was replaced by physiocracy at the hand of François Quesnay (1694-1774). Very soon it was dethroned by classical economist Adam Smith (1723-1790). Development of streams and schools of economic thought did not stop in the West till date.

Late introduction of printing press in the Middle East.

Printing press remained banned in the Ottoman Empire (including the Middle East) for about three centuries after its invention in Europe in the fifteenth century. It brought revolution in uplift of intellectual level of masses, development of education, spread of knowledge, and exchange of ideas in the West.

It may be noted that invention of the printing press is considered by many writers as one of the important reasons for economic transformation in early modern Europe. Its invention created "new possibilities of intellectual intercourse' (Roll 1974, p. 55). Printing made it possible to reproduce the maps in quantity. This promoted voyages in Europe towards the end of fifteenth century and later periods. In a recently published book, Casale (2011) examines the exchange of knowledge between Ottomans and Europeans. He concludes that Ottoman output roughly kept pace with Spanish or Portuguese works on exploration until perhaps the 1560s, at which point the ban on printing caused Ottoman publications to fall behind. Opposition to printing narrowed, if not closed, the doors of scientific institutions and intellectual development of Middle Eastern mind.

It may be noted that the early printers could turn out three hundred pages a day. By the end of the sixteenth century this figure had risen to over a thousand for larger scale high-quality work (Kellenbenz, 1977, p. 181). One can imagine how efficient and fast communication was possible in Europe at a time when students and scholars in the Middle East spent hours and hours in copying the voluminous works of their predecessors. Sometimes the same work was copied many times to prepare more copies – a very tedious job indeed (al-Muhibbi, 3:160). It is said that one Mulla Muhammad al-Akhlaqi of Damascus (d. 1021/1612) copied *Kitab Akhlaq-i `Ala'i* forty times, hence he got the name "al-Akhlaqi" (ibid. 4:294). Ironically, when the first time a printing press arrived in Istanbul, from London, in the year 1627, the Majority of inhabitants were forbidden to use it. Only the publication of Christian religious literature in Greek was allowed and distributed among the adherents of the Orthodox faith (Perry, 1983, p. 151).

Corruption also fuelled the economic decay.

The history of decaying centuries reveals that one of the reasons of economic retardation in the Middle East was wide-spread corruption, moral degeneration, and exploitation. The development activities were badly affected in such a situation. Appointments to various posts were made on payment of certain amount of money. Even judges were appointed on offering bribery. Ibn Iyas notes that in the year 921/1515 the Hanafi *qadi* offered 1000 dinar while the Maliki *qadi* offered 2000 dinars to obtain the post (Ibn Iyas, 4:477).

In Mamluk period scope of *hisbah* (market supervision) was widened and collection of certain duties was included in its functions. Due to corruption on a grand scale in the government and in its institutions, the *hisbah* also became a profit earning office for the *muhtasib* (the in-charge of *hisbah*). Instances are reported when a person offered bribery to obtain the position of *muhtasib*. In such a condition generally the office was held by those who lacked the basic qualities for that position. Sometimes *muhtasib* accepted bribery to ignore his duty of price checking (Ibn Iyas, 4: 378, Ibn Tulun, p. 216; al-Jaziri, pp. 1000, 1144).

Al-Asadi (1967, pp. 92-96) also prescribes sales of government positions as one of the factors of deteriorating economic condition and financial crisis in the fifteenth century. Those who obtained a position through bribery, their first and main concern was to get back their money and then earn the additional amount. He considers the existence of coercion, tyranny and oppression as the most damaging factor in development activities and exhorts to eliminate them (*ibid.*, p. 93).

It may be noted that corruption and sale and purchase of official posts were two common evils of the decaying Mamluk rule in Egypt and Syria that facilitated their take over by the Ottomans (Ibn Iyas, 4:353, 371, 378, 477; Ibn Tulun, p. 216). Within a century the same evil spread again in the ruling class. Offices were regularly 'bought and sold without regards to ability' (Perry, 1980, p. 120). 'Many important posts were given to unqualified people and administrative appointments often went to the highest bidders' (Kurat, 1976, p. 159). In the seventeenth century, the Ottoman Empire saw many ups and downs but towards the end of the century, the decadence was very obvious, and a continuous downtrend set in. Intellectuals of the period worried about this situation. They were unanimous that the root cause of this decay was corruption and moral degeneration. The anonymous author of *Nasihah-namah* also complains about corruption and the sale of taxes to the highest bidder for collection (Armajani, pp. 190-91). He denounces the auctioning of tax-lists to the highest bidder, since the

poor subjects are the principal victims (Rosenthal, 1968, p.227). While discussing the sickness of the seventeenth century economic condition, Hajji Khalifah, points out that the disease is 'too heavy taxation with consequent oppression of the masses, and the sale and resale of offices in order to enrich the individual at the expense of the masses. This happens openly although such misuse and abuse is condemned by both natural and religious law; it goes against justice and reason' (Rosenthal, 1968, p. 230).

A common form of corruption was to dismiss an honest officer and offering his position to a higher bidder, even if the latter was incapable and dishonest. This had surely added to the problem. To cure this, Hajji Khalifah suggests: 'Keep uncorrupt men in office for a long time and forbid the buying and selling of offices; punish severely those who oppress the people. In a few years the people will regain strength, and prosperity will return to the realm' (Rosenthal, 1968, p. 232).

Sari Pasha Defterdar has shown how corruption affects the state and the economy. 'If it becomes necessary to give a position because of bribes, in this way its holder has permission from the government for every sort of oppression stretching out the hand of violence and tyranny against the poor subjects destroys the wretched peasants and ruins the cultivated lands; it causes a decline in the productivity of the subjects and in the revenue of the treasury' (Defterdar, 1935, p. 89). 'To give office to the unfit because of bribery is a very great sin' (ibid. p. 90). He emphasizes appointing capable, competent people for the finance office (ibid. p. 95).

Qoji Beg suggested cleansing the society from corruption. Worthy men should be appointed to administrative positions, and no interference should be made in their functioning (Imber, 1986, E I 5:249).

It may be noted that even at present, corruption is considered as the major factor that makes the development efforts of developing countries ineffective or neutral⁵. This verifies that in their diagnosis of the causes of decay, the Ottoman scholars were very precise and up to date.

The *timar*⁶ system that had underpinned the Empire's former military strength in the earlier period was also corrupted. In the later period it was allotted to the palace nominees and unworthy persons. This was one of the reasons behind the resentment among the troops. According to Khayr al-Din al-Ramli, many of them contravened the original terms of their grants and used to dispose of them by outright sale or sub-letting (al-Ramli, 1311 AH, 2:102). Mehmed Pasha, a Chief *Defterdar* (finance secretary), and particularly well informed in the affairs of the Treasury, advocates 'for the appointment of competently trained officials' whose integrity cannot be challenged. He favours the extended tenure and freedom of action as the frequent changes in office and interference in work affected the efficiency (Defterdar, 1935, p. 46). 'He advises a complete change in the system of taxation. He advocates the return to direct collection of taxes by appointed officials, to replace the existing practice of selling to the highest bidder, the right to gather the government's income.'⁷

Economic factors:

a. Low Agriculture productivity

Agriculture is the most fundamental sector of the economy. It provides not only with the means of living but the other sectors are also directly affected by it. The Middle East had been predominantly an agricultural economy with extensive fertile areas. In such an economy, taxes on land and farming were the principal source of

revenue. But this important sector suffered from backwardness on two accounts. First of all the agriculturists were subjected to various oppressive taxes. On the other hand, productivity was low due to primitive methods of cultivation, rudimentary tools, shortage of skill and the lack of market opportunities (Kurat, 1976, pp. 157-58). Hardly any improvement in agriculture is reported in the sources. Commenting on the agricultural conditions of the Ottoman states, Lewis (1968, p. 31) observes: "The technological level of agriculture remained primitive, and the social conditions of the Turkish countryside after the sixteenth century precluded the appearance of anything like the English gentleman-farmers of the seventeenth and eighteenth centuries whose experiments revolutionized English agriculture".

In the seventeenth century great Muslim Empires, both Ottomans and Mughals faced the problem of the flight of the farmers from their fields, leaving the land uncultivated. This affected the agricultural produce and state revenue adversely. Khayr al-Din al-Ramli advocated the peasants' right to self-determination in occupational sense. He emphasized the termination of all forms of peasant oppression with the aim of bringing about an end to their desertion (Seikaly, 1984, p. 406). It appears from his *Fatawa* that oppressive taxation and forced labour was the reason behind the flight of farmers from their lands (al-Ramli, 1311 H., I: 100).⁸

This situation may be compared with the development of agriculture in the seventeenth century Europe, where a significant number of landlords and husbandmen had begun changing their ways of farming, greatly enhancing England's agricultural productivity. 'The well-established European market in foodstuffs had created an incentive for the adoption of new techniques. The encoding, ditching, draining, irrigating, rotating, and planting of new crops, which contemporaries lumped together as 'improvements' (Appleby, 1978, p. 54, 55). No such improvement was seen in the Middle East.

Call for return to old system of farming and land management

A few Middle Eastern and Ottoman scholars were worried about the deteriorating condition of agriculture and low productivity. But they failed to understand real causes of decline. Ottoman thinkers sought solution in returning to the old system of land management and argued for the revival of *timar* and called for the return to the old system. In that context Defterdar (1935, p. 143) says: 'The ancient law must be respected'. To some of the Ottoman thinkers, like Hasan Kafi and Mustafa Kocu Bey 'the root of Ottoman weakness' lies in the 'disorganization of the *timars*' (Karpat, 1974, p. 89). They suggested restoration of this obsolete system ***Timar***. Sari Pasha also pays special attention to the institution of ***ziamet***⁹ and *timar*. 'The condition of the *ziamet* and *timar* is also one of the matters of which careful thought should be given in the interests of good order in government' (Defterdar, 1935, p. 142). Thus they tried to find the solution to their problems in past events. 'There was no thought of innovation, no willingness to experiment with new institutions' (Itzkowitz, 1980, p. 107). Commenting on 'the technological backwardness of the Ottoman Empire – to its failure not only to invent, but even to respond to the inventions of others', Lewis (1968, p. 32) remarked: "While Europe swept forward in science and technology, the Ottomans were content to remain, in their agriculture, their industry, and their transport, at the level of their medieval ancestors. Even their armed forces followed tardily and incompetently after the technological advances of their European enemies".

The farmers in the Middle East could hardly produce excess quantity over and above their needs. In fact they were discouraged to produce surplus. If somehow they did, they were heavily taxed. Here is an example: in Aleppo, during the late seventeenth century, increased production of atlas cloth led to a fall in imports from Europe. Instead of being pleased (as any European mercantilist would have been) the Ottoman officials were alarmed. This is because the fall in the imports meant a reduction in import duties. To make up for the loss of revenue, these officials imposed an internal tariff ranging from 3% to 5% from all such cloth produced in the city. In short, the local industries were punished for increasing their production and causing a fall in the imports (Masters, 1988: 198, cited by Çizakça, 2000, p. 17). According to Çizakça, 'these differing attitudes towards craft production, constitutes one of the sharpest contrasts between European mercantilism and the Ottoman doctrine. As it is well known, European governments directly encouraged and protected their infant industries by imposing high tariffs on imports. In this way, the Ottoman and Indian clothes were subjected to high customs duties and thus their competitiveness was hindered in the English and Dutch markets, while the nascent industries of London and Leiden were given a boost. By contrast, the Ottoman state did not hesitate to punish its own producers, with fiscalist considerations, because they were (successfully) reducing the imports' (Çizakça, 2000, pp. 17-18).

b. Static and traditional Industry

At a time when Europe was heading towards industrial revolution, very little changes compared with the tenth to 13th centuries, were seen in the traditional set up of industries in the Middle East. The method of forcible settlement was used by Salim I who drove to Istanbul about 1,500 merchants, artisans from Cairo and Tabriz (Inalcik, 1970, p. 107). But he did not realize that forced migration was never useful to organize production and develop the market. He should have provided certain incentive and the state patronage to carry on the work. He could depute his men for training and apprenticeship.

Commenting on the static and inert industrial condition of the Middle East, Gibb and Bowen (1969, 1:281) observed: "Of all the social institutions of the Islamic East that of industry remained, until well into the nineteenth century, the most faithful to its traditional organization and usages". The region did not pay attention to industrialization the way Europe was doing. They retained old labour practices, in which production was concentrated among craft guilds. Europeans increasingly bought only raw materials from the Ottoman states, and then shipped back finished products manufactured in Europe. Since these finished products were produced with new industrial methods, they were far cheaper than similar products produced in rest of the world. It was difficult to resist the competition of imported European manufactures. As a result the Ottoman craft industries were adversely affected. In a comment on the general condition of the Ottoman industry, Lewis remarked: 'Primitive techniques of production, primitive means of transportation, chronic insecurity and social penalization, combined to preclude any long-term or large-scale undertakings, and to keep the Ottoman economy at the lowest level of competence, initiative, and morality' (Lewis, 1968, p. 35. He refers to Ulgener).

Compulsion of the circumstances forced Ottomans to keep pace of development of war industry with Europe. 'In the great centuries, the Ottomans were not only able to keep up with the most advanced European weapons, but at times even to improve

on them through inventions and innovations of their own' (Lewis, 1982, p. 225). But no significant competitive effort was visible in case of other industries.

c. Deteriorating Foreign trade.

Since ancient times the majority of Muslim states had an agrarian economy. The concentration and dependence on agriculture continued even when Europe was experiencing the industrial revolution. As the Ottoman Empire dominated the main trading routes from the Mediterranean to the East, trade, although hampered by many obstacles, played an important part. Constantinople and Smyrna were the main centres of trade with foreign countries while Adrianople, Brussa and Thessalonica were famous internal trading centres'. Thus, in addition to tithe and poll taxes, the customs duties were another source of large revenue. But the situation changed in the later period due to shifting away the trade route to India away from the Arab lands to Portugal, via the Cape of Good Hope. This had not only affected the rulers but various sections of the society who were directly or indirectly related to that trade such as merchants, their supporting staffs on sea or on land, transporters and retailers.

The Portuguese reached India in 1498 through the Cape of Good Hope and within a decade they monopolized all the sea trade from India. The new all water route saved much of the expense which the routes through Arab land entailed, such as loading and unloading at various places and payment of custom duties at each point. These cost savings put the Portuguese traders at advantageous position over those coming through the difficult and expensive trade routes of the Levant and it became difficult for traders in the Middle East to compete Portuguese in European markets. In addition, the latter imposed trade blockade in Arabian Sea to prevent merchandise from reaching Arab land, though it never fully succeeded. In the words of Glamann, (1977, p. 427), 'There is scarcely any period in the history of Europe when trade plays so central a role as in the years from 1500 to 1750. Some historians call this the early capitalist age or the age of merchant capitalism, while others term it the mercantile or mercantilist era'. We hardly find any account of the Middle East businessmen having trading establishments in Europe. Just opposite was the case with the European countries. The English and the Dutch penetrated into the Mediterranean Sea. English merchants succeeded in securing trade privileges in the Levant. In addition to trading in spices and garments, English merchants also supplied the Ottomans with the war materials that they needed due to the long years of conflict with Persia and later Austria (Parry, 1976, p. 124). During the seventeenth century, England benefited economically by trading in Ottoman territories. The Levant market for the English cloth, which was the main export, expanded by one-third and was one-fourth of all English manufactures exported to the Levant. According to W. Sombart, Levant trade played vital role in the rise of Western capitalism (Inalcik, 1974, p. 57).

The famous mercantilist writer Dudley North (1641-1691) in 1660, at the age of nineteen reached Turkey where he lived for about twenty years. In Turkey North joined a partnership in a Constantinople trading house, of which, due to the incapacity and laziness of its senior members, he soon became active manager' (Letwin, 1963, p. 185). Within a few years he opened his own firm and soon became the most substantial of the English merchants in Constantinople, the centre of the Turkey trade (ibid.). Later he became treasurer of the Levant Company at Constantinople. He spoke Turkish fluently. Even in England, 'he broke into Turkish whenever provoked' (Letwin, 1963, p. 187). It is not known how far he influenced his Turkish partners in Istanbul; whether he could train some of them to continue in the business. 'Sir Dudley

North's *Discourses Upon Trade*, published in 1691, have been lauded as the first great exposition of free trade doctrine. It is not known whether any such discussion was found among the Turkish intellectuals.

On the eve of the seventeenth century, 'the Dutch had sent successful expeditions to the East Indies.' At the same time, the English East-India Company was founded, largely by merchants of the Levant Company to trade with the East Indies. 'The Dutch companies, on the other hand, were federated in 1602 into the "United East India Company' (Kirk, 1964, 66).

The discovery of gold and silver mines in America and other colonies that resulted influx of precious metal into Europe led to the large expansion in the currency and credit structure and facilitated foreign trade. The Middle East not only did not have any such advantage their own stock of precious metals drained out by European foreign trade (Davison, 1968, p.59). In addition to influx of precious metals, the development of banking and credit facilities in European countries also boosted trading activities. In Islamic system participatory financing existed since beginning but it was shy of supporting maritime trade. Sources do not report its use for maritime trade during medieval period.¹⁰ Frequent changes in monetary units and debasement of currency causing depreciation of the value of money had also discouraging effects on international trade (Stripling, 1977, pp. 15-16)

Why 'Mercantilism did not develop in the Middle East.

Mercantilism that developed during the fifteenth century and lasted more than two centuries was the predominant economic thought of England, France, Italy, Spain, Germany, etc. It spread simultaneously over the major European countries. They produced a number of advocates of mercantilism. For example, Thomas Mun (1571-1641), Gerald de Malynes (1586-1641), Edward Messelden (1608-1654), Dudley North (1641-1691), Josiah Child (1630-1699), William Petty (1623-1687) and John Locke (1632-1704) in England and Ireland; Antoine de Montchretien (1576-1621) and Jean Baptiste Colbert (1619-1683) in France; Antonio Serra (1580-1650) in Italy; and Ludwig Von Seckendorf (1626-1692) and Johann Joachim Becher (1625-1685) in Germany. There is no denying the fact that mercantilism caused a spur in the development of Europe in general and particularly 'the Portuguese, Spanish, Dutch, English and later also the French economies, underwent a growth shock. They benefited from internal and external economies by the ensuing scale effects' (Baeck, p. 192). The Middle East failed to produce even a scholar of Abu'l-Fadl Ja'far al-Dimashqi's level (lived in 12th century C.E.) who could author *al-Isharah ila Mahasin al-Tijarah*.

Mercantilism remained confined to the European nations, and not a single country from the Middle East could adopt the system or contend with them. The Ottomans being the strongest of all the sixteenth-century governments and being not only neighbour of the Western countries but also occupying a very large part of their territories, it was expected that they would have proved a successful rival in mercantilism or would have developed it among their own subjects. But that also did not happen.

Historians of economic thought have explored the factors that helped the development of mercantilism. It was the religious objective and missionary zeal that provided support for the growth of mercantile activities in Europe (Kirk, 1964, pp. 63-64; Heaton, 1948, p. 241; Lewis, 1976, p. 203; 1982, pp. 33-34). Otherwise, 'Medieval philosophy conventionally identified the merchant with the sin of

covetousness; even the pure act of trading, *negotium*, was considered essentially vicious' (Letwin, 1963, p. 87). As far Muslims are concerned, it may be argued that from the religious point of view, engagement in foreign trade of European level was a socially obligatory duty (*fard kifayah*) on the part of Muslim government, but they did not realize it.

The rise and growth of nation-states necessitated strengthening the central government through the stock of gold and silver used as money (Roll, 1974, pp. 54; Oser and Blanchfield, 1975, p. 8). The Muslim states of Ottoman, Safawid and Mughal already had well-established nation-states with their traditional supporting revenue resource. They missed the point that in the changing world, the governments having foreign trading companies would dominate the scene.

The Renaissance in Europe provided the motive force to mercantilism. A number of artists, philosophers, scientists and social thinkers played significant roles in transmitting the new learning about the economic world in which the invention of the printing press helped considerably. In London, 'Pamphlets and books streamed from the city's presses, in runs between 500 and 2000. A dozen titles appeared in the 1620s; by the 1670s hundreds were published each decade'; ... 'there grew up a new kind of forum where the absence of the immediate presence of speaker or listener made possible a freer, more impersonal kind of exchange' (Appleby, 1978, pp. 4-5). As we noted above, the printing press would be adopted by the Muslim world in the eighteenth century, about three hundred years after its invention (Gibb and Bowen 1:2 p.153).

Another important factor in the growth of mercantilism in Europe was maritime explorations. Adventurous navigators opened up new trade routes that decreased the cost of transportation (Roll, 1974, pp. 54; Oser and Blanchfield, 1975, p. 8). Discovery of a new world provided them with new market, and a new all water route of European trade through the Cape of the Good Hope which proved a blow to Mediterranean trade, dominated by traders of the Middle East.

In the West the scientific discoveries, use of machines, and changes in production techniques resulted into rapid increase in production and availability of surplus product for trading purpose. 'A surplus of exports from a country was necessary if payments were to be received in hard money' (Oser and Blanchfield, 1975, p. 9). Since countries of the Middle East depended on conventional method of production, they did not have surplus production to carry a large scale foreign trade (Cahen, 1970 p. 35).

In the sixteenth century the Portuguese were the dominant players from the Arabian Sea up to Bantam and Jakarta by way of the Straits of Malacca. The dominance of the Portuguese over the waters of the Indian Ocean ended the Ottoman endeavour to challenge them. Lewis (1968, 24) states: "In Eastern waters they (Ottomans) encountered the stout ships of the Portuguese, whose shipbuilders and navigators, trained to meet the challenge of the Atlantic, were more than a match for the calm-water ships of the Ottomans. Stouter vessels, more guns, better seamanship were what defeated the successive attempts of the Ottomans to break out of the ring, and swept Muslim shipping from the waters of the Indian Ocean". Coming to the Seventeenth Century, Dutch, French and English became more active and they almost marginalized the Portuguese and thus their supremacy on the water passed away.

No doubt trade has been a very noble occupation in Islam, and in every period Muslims have been engaged in this business. But it never occupied that importance and sanctity as crusaders awarded it in early sixteenth century. There have been clashes between Christian and Muslim traders but all these trade wars were fought in

waters surrounding Muslim countries. Muslims fought defensive wars only. Maritime trade being a risky venture was generally discouraged.⁷

Absence of banking and financial institutions

Borrowing for business purposes has been a current practice in all ages. Instances are available that Christians borrowed money from the Treasury. They also borrowed from their Muslim brethren (Bakhit, 1982, 2:28). There are reasons to believe that Muslims too borrowed from them and from their own people. However, we could not trace any institutional arrangement for this purpose during our study period. It may be noted that this was the period when foundations for modern banking was being laid down in Europe along with the maritime trading companies. It is no surprise if, like foreign monopoly trading companies, this institution too was ignored by Muslim world. [They could have thought to innovate such a system as Muslims started such an effort during the 20th century]

It is true that the Muslims of the Middle East could not have interest based banking as Europe Used to. However, they failed to innovate interest free banking as the 20th century scholars did.

Lending and borrowing was not considered as a business activity. Therefore, it could not be institutionalized. 'Banking, such as it was, seems to have been very largely the preserve of the Jews but also, increasingly, of the Armenians; both as short-term lenders could strongly influence the local *pashas*. In the maze of Constantinople's Alleys, the Jewish community was the largest in Europe. It included craftsmen, besides middlemen' (Kurat, 1976, p. 182).

North who spent more than twenty years in Istanbul, opened business of lending money to Turkish officials at a rate of interest sometimes ranging from 20 to 30 percent (Letwin, 1963, p. 186).

The first time modern bank was established in Egypt in the nineteenth century. The indigenous banking and finance had been in the clutch of minorities especially Jews. Their locality in Cairo, Harrat al-Yahud, was famous for their usurious lending and exploitation (Mubarak, 1973, p. 388).

Up to the middle of nineteenth century modern banking system was unknown in the Middle East. On the pattern of business corporation, al-Tunisi explains its significance in economic development of the country (*Surest*, 166-7).

Non-existence of joint stock companies

At a time when scholars in the Middle East still limited the scope of partnership to trading only and generally a single voyage, Europe of the sixteenth century innovated its use for a comprehensive corporation. 'Joint-stock companies often attracted large number of shareholders, in a marked contrast to the earlier forms of commercial organization, which seldom comprised more than three or four partners. The Muscovy Company brought together 201 shareholders in 1555, while the East India Company began its long history in 1600 with 281 shareholders' (Flinn, 1965, p.62). Ownership in severalty also worked as an insurance as it was a very high risk investment at that time. Unfortunately, the Ottoman economic mind could not perceive this and lost a vast opportunity that was lying beforehand.

Divergence being narrowed down in the modern period

First time public exposure of Arab masses to Europe occurred in the 19th century which made them realize how laggard they had been. Fresh economic thinking and the call for betterment of the economy in the Middle East started after intellectual awakening during the 19th and 20th centuries. Muslim visitors of Europe were very much impressed by the emphasis on education and learning in European culture. Al-Tahtawi and al-Tunisi presented detailed comments on this aspect. They noted that the “European progress in political, scientific and economic affairs could not have occurred without prior progress in the field of education” (Abu-Lughod, p. 115). The visitors of European countries described in their works what they saw in the West like scientific schools, academies, universities, private and public libraries and museums (al-Tahtawi, *Takhlis*, ch. 13 paragraph one of section 6; al-Tunisi, *the Surest path*, pp: 151-57. They noticed that the West encouraged spirit of research and investigation and independent thinking (al-Tahtawi, *Takhlis* p. 8, 123; al-Tunisi, *the Surest path*, pp: 161-2, 168-9, etc.).

Those who travelled to Europe witnessed the benefits of science in economic, social, educational and intellectual spheres. A look to European economic development opened their eyes. They witnessed manifestations of wealth and civilization in Europe and realized that development of industry, agriculture, and commerce depends on the development of sciences and technology (al-Tunisi, *the Surest Path* 137-51; al-Tahtawi, *Manahij*, pp: 327-28).

Arab travelers of Europe noticed the existence and role of joint stock companies. This attracted the attention of al-Tunisi also. He emphasizes need and importance to have similar corporations in Muslim countries. Operations on both land and sea have multiplied. Al-Tunisi does not enter into discussion whether establishment of such a legal entity is Islamically permissible and what would be its various provisions under Islamic system. He leaves such discussions for the generation of *ulama* coming in the twentieth century. He does not think that any provision of Islamic law will be hindrance in establishing and continuing such business corporations.

Establishment of printing press provided a boost to knowledge by making easy availability of books and reading materials for masses. Publication of journals raised their intellectual level and widened their outlook. Inauguration of railways, opening of Suez Canal, and establishment of the bank are some very important events of the region. In brief, the Middle East world saw multifaceted changes in this period. From a stagnant pre-modern economy at the beginning of the century, it became a modern developing economy, at least by the standard of that time, by the end of the century. The most important manifestation of development in this century was the economic awakening that took place in the Middle East, mostly due to increasing contact with Europe.

It is true that economic thinking never stopped in Muslim world. However, the nineteenth century shows a marked difference in aspects of economic thinking. In previous few centuries as the economies of Muslim countries were facing stagnation and conventionality, so the economic thinking was generally confined to emphasis on justice and fairness in taxation and public expenditure, removal of corruption and exploitation, elimination of economic evils such as hoarding, monopoly, bribes, adulteration, etc. What positive steps should be taken to develop various sectors of the

economy – agriculture, industry and trade – and how to equal or surpass the rival economics was hardly discussed in previous centuries.

They appreciate the Western banking system as it was less exploitative in their view as compared to local usurers. However, the majority of them express their objection on the practice of interest by Western banks too. As far banking without interest is concerned, no one hinted upon its possibility and procedure. This innovation was developed in the twentieth century when it became clear that the Western banking system is not acceptable for Muslims.

In the nineteenth century attempts of reform were made at various levels and from different platforms. It saw the "Ottoman *tanzimat* (reforms), the radical changes in state and society attempted by Egypt's Muhammad 'Ali, and the Islamic awakening linked with the names of al-Tunisi, Mubarak, al-Kawakibi, Shaykh Muhammad 'Abduh, etc. Khayr al-Din al-Tunisi is perhaps the first to raise voice against capitulation.

Concluding remarks

In the preceding pages we have seen that during the decaying centuries the stagnant and imitative educational systems stopped creative and scientific thinking and producing scholars that could match the worldly philosophers and scientists of the West.

Low crop yields and heavy agricultural taxes placed the population in constant jeopardy. The flight of peasants was a phenomenon that spread from Ottoman to Mughal rules.

The situation was similar in the industrial and manufacturing sector. Various factors combined to keep industrial production primitive, static, and inert, utterly unable to resist the competition of imported European manufactures. International trading activation also declined considerably.

In the European part of the world, specialization, new farming techniques, and more efficient ways of using labor made higher levels of productivity possible, enabling them to perform better in international trading. We could not trace any such overhauling in the Middle Eastern part of the world.

The capitulations, granted to European traders, provided extra territorial privileges to foreign merchants conducting business in Muslim countries. It benefited foreigners at the cost of natives. It turned into instruments of outright pro-foreign discrimination.

When the West was establishing Oxford and Cambridge Universities, the East was busy in construction of palaces, Taj Mahal and Red Forts. The rulers of the region built several magnificent mosques but they did not establish an institution of the level of Jami` al-Azhar or Jami` al-Zaytunah for advanced education of Islamic sciences, not to speak about the scientific education.

There had been stagnation not only in intellectual level, but for many centuries there had been surprisingly no drastic change in the Middle East, in life pattern, economy and economic thinking. There had been incredible conformity throughout those centuries in thought and action, economic institutions, composition and means of production, industries and technology. It may not be exaggeration to say that in the Middle East if a person of 15th century came alive in early nineteenth century, he

would have been struck by the familiarity of the prevailing condition of agriculture, crops and methods of cultivation, industry and techniques used, commerce and the forms of contract and credit practices

Their absence from this front left the mercantilism patronizing governments free to impoverish a larger part of the world by establishing colonies and exploiting them to their own benefit. Muslim governments accepted, tacitly or explicitly, European rule on water and remained satisfied with their sovereignty on land.

The scientific discoveries in Europe, like the compass, printing press, etc., helped the development of mercantilism in many ways. A rapid increase in production and availability of surplus products for trading purposes was the most important benefit of scientific discoveries, use of machines, and changes in production techniques.

Ottomans who controlled the Middle East did not keep an eye over what developments were taking place in the West in the field of scientific inquiry, exploration, intellectual advancement, mechanization of the economy. They did not think to establish institutions for research and development (R and D). Little attention was paid to the development of natural sciences. The ground reality was not in favour of creation of banking, joint stocks and lasting corporations. The result was the long divergence. There was no role of the Islamic Law in creation of that situation.

In the twentieth century, the increasing contact between the West and the Middle East and the rest of Muslim states made the latter realize the awful gap between the West and the East in the sphere of education, science and technology, politics and economics, and attention was drawn to mend the situation. Freedom from the colonial rule gave them self reliance and confidence. They established the scientific and educational institutions of higher grades, renewed thinking on economic problems, established research and training centres, revive *ijtihad* and creative thinking, organised interest-free banks and financial institutions, founded joint stock companies and big corporations, promoted agriculture and industries. All this is done without any amendment to the Islamic Law.

Endnotes

1. For a review on the book refer to JKAU: Islamic Econ., Vol. 25 No. 2, pp: 253-261 (2012 A.D./1433 A.H.), or click the following link: <http://iei.kau.edu.sa/Pages-VOL-25-02.aspx>
2. Interestingly the same year Niall Ferguson published a vital, brilliant book entitled *Civilization: The Six Killer Apps of Western Power*, Winner of the Estoril Global Issues Distinguished Book Prize 2013, selected as a *Daily Telegraph* Book of the Year, in which he answers what set the West apart from the rest of the world? He claims that the West developed six killer applications that the rest lacked which led to western ascendancy. The six factors are: competition, science, democracy, medicine, consumerism and the work ethics.
3. "The capitulations refer to a class of commercial treaties which Western power concluded with Asian and African states and under which Western nationals enjoyed extraterritorial privileges. European residents were thus subject to the laws of their home governments and immune from those of their home countries. Among the Near and Middle East lands the system developed most fully in the Ottoman Empire. In encouraging trade with the West, the early

sultans thus did not have to seek equal treatment for their own subjects." (Hurewitz, J.C. (1987) *Diplomacy in the Near and Middle East: A Documentary Record 1535-1956*, Oxford, Archive Editions, first Published in 1956 by Von Nostrand Co. New York, Vol. I. P.1). Such a capitulation or Treaty of Amity and Commerce granted to France continued up to 1924 (ibid.).

4. Allamah Ibn Nujaym (d. 970/1563) stated that the door to analogical reasoning was closed during his age. The *ulama*'s role was only to report the opinions of past scholars of their school of thought (Ibn Nujaym, 1980, p.87). Allamah Ibn Hajar al-Haytami (d. 973/1566) says: 'It is not permissible for anyone to pronounce a judgement against his school of jurisprudence. If they do, it is void because the capacity for *ijtihad* was missing from the people of this age' (al-Haytami, n.d., 2: 213). The closure of 'the gate of *ijtihad*' required no further exercise of independent judgment. To the Muslim of later centuries, all that was needed was to follow and obey past judgments. 'One is tempted to seek a parallel in the development of Muslim science, where the exercise of independent judgment in early days produced a rich flowering of scientific activity and discovery but where, too, the gate of *ijtihad* was subsequently closed and a long period followed during which Muslim science consisted almost entirely of compilation and repetitions' (Lewis, 1982, p. 230).
5. In a recent survey of 150 leading policy makers in 60 developing countries about the main obstacles to economic development, corruption has topped the list (Gray and Kaufman, 1998).
6. *Timar* a grant of land for military service or more exactly a kind of Turkish fief, the possession of which entailed upon the feudatory the obligation to go mounted to war and to supply soldiers or sailors in numbers proportionate to the revenue of the *appanage*' (Deny, 1934, vol.4, p.767). The system deteriorated in the seventeenth century. It no longer served to support cavalymen of high quality or to manage the economy efficiently. To some of the Ottoman thinkers, like Hasan Kafi and Mustafa Kocu Bey 'the root of Ottoman weakness' lies in the 'disorganization of the *timars*' (Karpas, 1974, p. 89).
7. At this, in 1935 Wright (the translator of his book) observed: 'It is interesting to note here that this reform, suggested about 1715 by our author, was not carried out until the old monarchy was replaced by a republic less than a decade ago' (Wright, 1935, 47n).
8. It may be noted that the condition of farmers in Europe was also bad but there the exploiters used their income for investment in trade and industries (Minchinton, 1977, pp. 168-170, Maddalena, 1977, pp. 290, 303) which helped the economy as a whole.
9. *Ziamah* or *ze'ame* (in Arabic, za`amah) was a kind of Turkish fief with a minimum annual revenue of 20,000 aspers (akce) (Deny, 1934, 4:767).
10. In about 1580, an Ottoman geographer, in an account of the New World, written for Murad III, gave warning of the dangers to the Islamic lands and the disturbance to Islamic trade resulting from the establishment of Europeans on the coast of America, India and the Persian Gulf; he advised the Sultan to open a canal through the isthmus of Suez and send a fleet 'to capture the ports of Hind and Sind and drive away the infidels' (Lewis, p. 27. He refers to *Tarikh al-Hind al-Gharbi* (Constantinople, 1142/1729, fol. 6b ff.). [[Observations of

Omer Talib are written on the margins of a manuscript of the *Tarikh al-Hind al-Gharbi* (Maarif Library 10024) referred by Lewis, 1968, p.28).]]

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