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Why No Democracy in the Arab-Muslim World? The Importance of Temple Financing and Tax Farming

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Abstract

The absence of a single democracy in the Arab-Muslim world has become a “striking anomaly” for scholars of democratization. The lack of democratization in this part of the world cannot be seen as caused religion as such since there are by now several states with a majority of Muslims that have become democracies. Several other explanations such as values, culture, economic development, rulers’ access to natural resources or the history of colonialism have been refuted. We present a novel explanation for this puzzle that is based on historical variations in “temple financing”. In Northwestern Europe, religion and also secular services managed by local religious institutions have been financed “from below” creating local systems for semi-democratic representation, transparency and accountability. In the Arab-Muslim region, religion and local secular services have been financed “from above” by private foundations that have lacked systems for representation and accountability. It is thus not religion, but how religion has been financed, that is the explanation for the lack of democracy in the Arab-Muslim world.

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Why is there no democracy in the Arab-Muslim world?

Over the last century, several waves of democracy have swept over the globe, bringing representative democracy to places where it seemed inconceivable a hundred, fifty, or even thirty years ago. However, this impressive and historically unique process of democratization has left some spots dry; places where elections still are little more than theater and where the respect for human rights are lacking (Teorell 2010). The most notable region that is lacking successful transitions to democracy is the Arab-Muslim part of the world. In the aftermath of the 9/11-attacks, and the Bush-administration's failed attempts to establish democracy in Afghanistan and Iraq, a general notion of Muslim culture as incompatible with democracy has lived on, although under constant critique and lively debate.

The perhaps strongest argument against Islam as essentially incompatible with democracy can be found by simply looking at ordinary Muslims' political opinions. In recent years, a number of survey studies have noted an overwhelming support for democracy across the Muslim world, and this is true also for countries where the Arab Muslim populations are a minority and in also for Arab-Muslim countries where people live under autocratic rule (Braizat 2010 Arab Barometer 2009, Teorell 2010). Furthermore, these studies show that there is no difference in support for democracy between more and less religious individuals belonging ethnically to the Muslim culture (Tessler 2002; Jamal and Tessler 2008:101, Ciftci 2010). Haklai (2009:35) notes that the existing body of political culture research shows that

there is no single Muslim mindset regarding democracy. Political culture studies have been finding that there is no relationship between the level of piety and religiosity, on the one hand, and attitudes and values related to democracy, on the other hand.

As for the actual democratic performance in the Muslim world as a whole, Ibrahim (2007) reminds us that currently, two-thirds of the planet's billion Muslims live under democratic rule, both in minority (most notably in India), majority (Indonesia,

Bangladesh, Senegal as well as in Turkey), and in roughly even numbers with Christians (Nigeria, Bosnia-Herzegovina). Furthermore, as Stepan and Robertson (2003) note, the democratic track-record since at least the 1970s of the 31 non-Arab Muslim-majority countries are as good as, and in a number of cases exceed, what can be expected, considering their level of economic prosperity. In the annual Freedom House rating for 2010, 16 of these states are either rated 'free' or 'partly free'. Eight achieve a score 3.5 or higher on this seven-point scale where seven is the top score. Perhaps not the most optimistic of results, but nonetheless comparable to other parts of the developing world, and combined with the results of the survey studies above these findings ought to be enough to dispel the notion of Islam as a religion or culture is inherently incompatible with democracy.

This leaves us with the Middle East and North Africa (henceforth the MENA region), and the Arab states in particular, where there is currently no democratic country and only three of the sixteen states (Lebanon, Morocco and Kuwait) that are considered 'partly free'.¹ As Larry Diamond (2010:93) has put it: "The continuing absence of even a single democratic regime in the Arab world is a striking anomaly—the principal exception to the globalization of democracy." Considering its economic wealth, something a large part of the region has accumulated plentifully through its oil fields, it has a much worse democratic track record than should have been expected. Seven of the sixteen Arab states fall under the 'Electoral Underachiever' category in Stepan and Robertsons' (2003:34) study, and none are classified as 'overachievers'. The same pattern exist in measures of what has been defined as *quality of government* factors (such as corruption) where the MENA countries scores much lower than what could be expected from their levels of economic development. Looking at the raw results, we do find huge differences:

¹ This leaves out the region's two democratic overachievers Israel (1,5 on the Freedom House 2010 rating) and Turkey (3), non-Arab, but in the former case with a considerable Muslim-minority, and in the latter, certainly a central part of the Middle East.

Table 1. Levels of Democracy and Corruption in Arab, Non-Arab Muslim and Western States.

		<i>Democracy</i> <i>(Freedom House/ Imputed Polity)*</i>	<i>Corruption</i> <i>Perceptions Index (TI)*</i>
Arab	Mean	2,10	4,08
	N	16	16
	Std. Dev.	1,41	1,39
Non-Arab Muslim	Mean	4,11	2,50
	N	31	30
	Std. Dev.	2,26	,70
Western	Mean	9,96	7,89
	N	27	23
	Std. Dev.	,12	1,48

Data retrieved from the Quality of Government Database (V. May 27th, 2010). For a full list of the countries included, see Appendix.

** Ranging between 0 (lowest) and 10 (highest).*

In addition to culture and religion, the system for generating wealth forms a second popular explanation for the region's democratic deficit: the so called 'oil curse', or 'rentierism', many claim, has damaged the prospects for democracy on a profound and structural level (Ross 2001, Ulfelder 2007). The logic behind the argument can be divided into several factors, the most cited being that a government which relies mainly upon 'windfall' natural-resources for revenue grows less dependent upon tax income, and thus the need to create legitimacy from its citizenry in general. Consequently, the government can afford to disregard the wishes of the people, while 'bribing' them through a comprehensive welfare state, constructing what Sadiki (1997, and in Cavatorta forthcoming) refers to as 'democracy of the bread'.

Many authors have claimed that the region's vast resources of petroleum have brought other negative effects as well. Notable experts on democratization, such as Bellin (2004:149) and Diamond (2010:101-102) note that its natural resources has made the region too strategically important to mess with, meaning that external powers have

sanctioned autocratic rulers in exchange for political stability and thus insured petroleum exports, even after the end of the Cold War, when such support of authoritarian regimes was standard operating procedure throughout the developing world. A few decades ago, the ‘problem’ (for the Western Powers) was populist and secular nationalistic Nasserite movements, usually in liaison with the Soviet Union (Ghalioun 2004), today it is populist Islamist movements, often (but not always) connected to terror organizations. These threats have also led regimes to keep a considerable proportion of GNI and state revenue devoted to the security sector, a potent base for conducting political repression against internal democratic forces (Bellin 2004).

Even if we accepted that the non-oil producing Arab states are as democratic as their wealth allows, and the richer, oil-producing states have been subject to democracy-prohibiting rentierism, then we would conceivably be able to provide an explanation for the absence of democracy in the MENA region. But it would be a superficial explanation, since many poorer countries in other regions of the world have managed to democratize. Moreover, recent research shows that even heavy reliance on natural resources does not necessarily stand in the way of democratization. (Haber and Menaldo 2010:10, cf. Herb 2005, Oskarsson and Ottosen 2010). Moreover, several countries in this region such as Egypt, Jordan, Morocco, Syria and Tunisia do not have access to huge resources of oil or any other similar natural resources that can explain their lack of democratization. Also the foreign support argument has been somewhat tattered, as Saddam Hussein’s Baht-regime survived well after Western support disappeared in the wake of the first Gulf War, managed through harsh sanctions, and only a second war managed to dethrone it; a similar experience can be seen in Libya post-Lockerbie, and Iran.

The bottom line here is that while all the above accounts carry some merit, their ad hoc-nature become apparent as we quickly find holes in any of the blanket explanations for why the seed of democracy has failed to take a strong root in the MENA countries. Teorell (2010), who has provided what we see as the hitherto most thorough empirical investigation for why some countries have democratized and others not since the 1970s, concludes that this puzzle can neither be explained by economic factors, nor by access to

oil, nor by an absence of popular mobilization, nor by lack neighbor diffusion, nor by popular support for democratic values and, lastly, nor by weak links to democratic regional organizations. He adds that so far, there is no explanation for the lack of democracy in the MENA region that stands up to an empirical scrutiny and ends his discussion by stating the following:

What we need to know is not why Islamic countries in general have been less inclined to democratize, but why this has been the case in North Africa and the Middle East. Of course, Islam as a religion could still be a part of the answer to this question. But then only those features of Islam that are unique to this particular region (Teorell 2010:65).

Consequently, the insight that we lack a general explanation for the absence of democracy in the MENA region leads us to a intellectual choice: either we have to identify a separate explanation for each state, or we should try to go deeper, further back in history and see if there are any underlying common traits of importance to the region (beside the apparently incorrect argument that is has to do with Islam as a religion). The former alternative avoids the danger of telling contrived overarching stories, while ignoring the historical and cultural ties that undeniably bind the region together. While several general symptoms have been unveiled in the studies, most importantly the oil curse, they need to be complemented by a search for more profound causes. We are thus on the hunt for “those features of Islam that are unique for this particular region” but that does not have to do with the Muslim religion “as such” (Teorell 2010).

One such historical explanation employed for the lack of democratic development, not specific to the Middle East, suggested by Ibrahim (2007), is the colonial argument, i.e. that Western powers, mainly the British and French, in the late 19th century aborted modernization attempts they themselves had initiated earlier in the same century. Furthermore, some states, such as Iraq, and Lebanon, were created as a result of colonial administration, without respect to ‘natural’ ethnic boundaries.

These explanations do go a little further, and enrich our understanding of the historical context, but raise further questions at the same time. First, artificial boundaries, and ensuing ethno-linguistic fractionalization are not necessarily a guarantee of autocracy, furthermore, compared to the rest of the former colonized world, ethno-linguistic fractionalization in the region is in no way exceptionally high (comparable to Latin America, data from Teorell et. al. 2010) with a few notable exceptions such as the pair mentioned above. Second, the colonial argument does not explain why *no* Arab state has made a complete transition to democracy, as in all other regions once under colonial rule, plenty of states have undergone successful democratization.

Last, but perhaps most important to our argument, Ibrahim's account does not answer for why these states would even need a 'colonial spark' in order to modernize, especially since they have such a technologically and culturally advanced history (cf. Lewis 2002:153). It is today easy to forget how powerful and sophisticated the world of the Middle East was not too long ago, not only when comparing with other developing countries, but with Europe as well; discounting this and placing the analytic emphasis on the, generally brief, colonial era would thus be grossly insufficient. Studying inherent factors, processes and institutions, and the path dependence they create for later generations, have been largely successful in explaining the development of the Occident (North 1990, North Wallis and Weingast 2009, Ertman 2005) , and ignoring such an approach in the Orient would be a mistake. Kubba (2008) opens up for what such an explanation could look like:

After the Ottoman Empire collapsed amid the aftershocks of the First World War, young elites emerged to run newly born states throughout the Middle East. These new rulers adopted modern institutions and ended archaic mixtures of traditions and religion in state politics such as the caliphate (abolished by Turkey's Kemal Atatürk in 1924). Yet these same leaders reproduced the old Ottoman culture of authoritarianism, albeit in modernized forms. Today's Middle East, with its plethora of sophisticated, military-backed police states, is their legacy. ... Despite decades of modernization efforts, Muslim-majority countries are still places where civil societies are weak, power rests with the military, and various

minorities and elites have exclusive control over state bureaucracies and sources of national wealth such as oil. (Kubba 2008:37-38)

How do we account for the historical roots of this legacy? While quite possibly exacerbating factors, oil-dependence, geopolitical unrest, colonial and neocolonial heritages, and authoritarian elite strategies, were clearly not the cause of these legacies. Instead, we have to turn our directions toward the factors and institutions that enabled this system to persevere and reproduce itself into the present day.

One clue is given by Larry Diamond (2010) who argues that the aggregate figures for Arab support for democracy in recent surveys hides the fact that in the five countries surveyed between 2003 and 2006 by the Arab Barometer, 56 percent of respondents agreed that “men of religion should have influence over government decisions.” These surveys show that there is no majority for a secular type of democracy in these countries. The question is how to understand this support for theocratic rule in the MENA region. However, one should bear in mind the argument presented by Teorell (2010) that blaming specific religions for hindering democratization has proven to be a false road. As he points out, in the 1970s, Catholicism was thought to hinder democratization but since then southern Europe and large parts of Latin America has democratized. In the same manner, Confucianism was thought to be anathema to democracy but this has been disapproved by the democratization of South Korea and Taiwan. It should be added that there is not much that speaks in favor of the argument that the inherent religious message in Protestantism has “created democracy” (Bruce 2004)

If we instead look at political institutions, the Ottoman reforms of the mid 19th century (*Tanzimat*) were designed to break with the old, patrimonial systems of authority. Anderson (1987:5) notes that “[w]ell before these efforts were to bear all their fruit, however, Ottoman administrative development was suspended when the Europeans dismantled the empire after World War I.” The development did not look the same everywhere; Turkey, as the power-center of the old Empire, along with some coastal zones, reliant upon commerce, along the Eastern Mediterranean, managed to retain most of the existing bureaucratic achievements, together with the rise of a rising middle class.

The result in Turkey was a system wherein the state, with a Platonic, centralized bureaucratic and military elite at the helm, dominated civil society (Sosay 2007, Sozen and Shaw 2002:480, see also Anderson 1987 on Tunisia and Egypt). Other, more peripheral regions of the interior and eastern frontiers of the Empire (Emrence 2008), were left far more to the influence local notables, and/or vulnerable to colonial devastation, as Anderson (1987:5) notes in the case of the Italians in Libya. A heritage common to all regions, disregarding their bureaucratic strengths seem to be the prevalence of clientelism and patronage politics (Sozen and Shaw 2002:481, Jamal 2007:14). How, then, could this have come to be?

Our argument is that this puzzle in democratization research, that is, the peculiar lack of democracy in the Arab-Muslim countries in the MENA region, can be explained by the historical roots of their systems of taxation and what type of politics that follows from these different systems of taxation. First, this is shown at the local level, particularly in how religious services along with other local services historically have been financed. Secondly, the differences between the systems of taxation in the MENA region and in most parts of Europe are also shown at the central state level. Here, countries in the MENA region relied much more on a system known as “tax farming” than was the case in Western countries.

Our central argument is that the lack of democracy in the MENA region should not be explained by Islam as a religion, but by how the religion has been financed. In most societies and for most people practicing a religion, religious practices are not for free. Temples have to be built and maintained, priests must be hired and get salaries, religious schools and seminars have to be established, burial grounds have to be bought and kept in order, etc. In addition, in both Muslim and Christian societies, the local religious organizations (in the Christian West this has been the parishes) have historically been responsible for a whole host of other things such as social assistance, religious as well as secular education and, in many cases, also important parts of the local infrastructure such as roads and system for water provision. As we will show, the system for financing these local activities, both the religious and the non-religious ones, have historically been very

different when we compare the Arab-Muslim world to the Western Christian world. Secondly, for extracting resources to the central state, countries in the MENA region have historically relied heavily on a system known as tax-farming that catered to power being exercised in the form of personalism, particularism and patronage while the opposite has been true for most of the state-building process in the Western Christian world. Our central idea for explaining the lack of democratization in the MENA region is thus the one used in political economy, namely to “follow the money” as initially suggested by Palmstierna (2009).

In this, we build on research which shows that taxation cannot only be seen an administrative system for the authorities to collect revenue. Instead, with taxation usually follows three other things. One is a demand for as well as a need for representation. If people are going to part with substantial amounts of money, they will demand to be heard not only about the level of taxation but also about how the money is going to be used. Secondly, several scholars have pointed out that for rulers to extract resources, installing systems for popular consent to ensure legitimacy is likely to increase the amount of revenue they can collect (Bräutigam, Fjeldstad & Moore 2008; Levi 1988; Levi & Sachs 2009, Steinmo 1992). To this we want to add a third feature, namely that taxation also increases demands for accountability and for “quality of government” (Persson 2008). The reason behind this is that people who pay taxes will demand a system in which the bookkeeping is checked and were the persons elected or appointed to manage the funds can be held accountable. As stated in a recent volume on this subject:

The state-building role of taxation can be seen in two principal areas: the rise of a social contract based on bargaining around tax, and the institution-building stimulus provided by the revenue imperative. Progress in the first area may foster representative democracy. Progress in the second area strengthens state capacity. Both have the potential to bolster the legitimacy of the state and enhance accountability between the state and its citizens (Bräutigam, Fjeldstad & Moore 2008:1).

Moreover, people will not be willing to part with their money if the tax administration (and the public administration more generally) is known to be corrupt, discriminatory or

engages in other breaches of impartiality (Rothstein 2011). Low levels of corruption and high levels of quality of government (or “good governance”) are thus related to taxation (Persson & Rothstein 2010).

In brief, our solution to the puzzle is that when financing religion, the Arab-Muslim and the European-Christian parts of the world have historically relied on two very different systems. We want to draw special attention to the local level where religion (and its related activities) has been financed “from above” in the Arab-Muslim world by a special type of foundation that has been insulated from influences from the majority of people in the community. Since people in the Arab-Muslim world as a general rule have not had to pay taxes for the religious services, and to a large extent, not also for other services handled by the local religious organizations, neither demand “from below” nor a need “from above” for representation and accountability have been established. The system for “temple financing” has been radically different in the European-Christian world where these practices (or “public goods”) have for the most part been financed “from below” through the local congregations or parishes since Christianity’s founding years, requiring accountability rules and supervision from the beginning (as already Edward Gibbon pointed out in his *the Decline and Fall of the Roman Empire*). As we will show, historically this has come with a surprisingly intricate system for semi-democratic representation, transparency and accountability.

Before presenting this analysis, a note about representative democracy is needed. There are innumerable interpretations of how this system of governance should be understood. Here we want to contrast two different perspectives and argue for why we concentrate our analysis on of them. One perspective about democratic governance is to understand it as a system for channeling conflicts of interests between different groups so that they can be resolved by peaceful resolutions. In this perspective, where Schumpeter is the most well-known figure, the representative democratic system is to be understood as an arena for interest struggles where different groups or social classes “fight” under regulated forms to take control over public policies (Hermansson 1993). In recent times, theorists

influenced by post-modernism such as Chantal Mouffe (2005) have taken up this idea but changed conflict of interests to fights about discourses and identities.

A different perspective of representative democracy emphasize the need for every society (local as well as national), to produce a relatively large number of public goods. As is well-known, these are goods that everyone benefits from but since they are non-exclusive, there is a risk that “free-riding” will be common making the production of the public good in question difficult or impossible. Security issues, protection of human and property rights and, in one of our cases, the production of resources that are needed to “do religion” could be counted. Infrastructure and systems for social insurance and protection are other examples. Nobel Laureate Elinor Ostrom’s research on how local communities sometimes have managed so called “common pool resources” and overcome what is known as “the tragedy of the commons” is central in this perspective on democracy (Ostrom 1990). Without denying the importance of the former interest struggle perspective, we concentrate our analysis about the importance of local democracy on the latter way of understanding what representative democracy “is about”, namely how a (mostly local) group or society decide about and manage the public goods it needs to sustain itself as a society. If this is to be done by representation “from below”, we should expect to see less of democracy as an interest struggle and more of it as a way to create legitimacy through consensus and what in European historiography about local community politics has been called “communalism” (Aronsson 1992:23-27, Blickle 1997 and 2000). Historically, and of course also for many people nowadays, religious services are seen as such public goods. If there is no organization that will provide the resources “from above”, no temple will be built or maintained and no religious leaders will be employed. And if the resources are going to be created “from below”, we should expect demands for representation, accountability, quality of the implementation process and systems for hindering free-riding. As summarized in a recent volume on this topic:

Taxpayers who believe that their interests are represented in a democracy may be more willing to pay taxes, but they also begin to believe that their payment of taxes gives them the right to representation..... Representation, however, is only one element of

the fiscal contract. The bargain might also involve services: public goods (benefits provided to producers or consumers). And it involves pressure on governments to be accountable to taxpayers for the use of their money (Bräutigam, Fjeldstad & Moore 2008:12)

For the local perspective, we have been fortunate to be able to draw on some excellent, but highly specialized, historical research about the organization of parishes, communes and systems of taxation in these two different parts of the world. For Europe, we have concentrated specifically of studies England and from the 15th century and onwards, and Sweden from the 17th century, as well as their counterparts in the Arab-Muslim world. Analyzing this fascinating historical research, what we have found are two diametrically different ways of how to “finance the temple” which in its turn has led to two completely different ways of how to organize local political representation, accountability and the local administration. The same difference, although to a somewhat lesser extent, exists for taxation to the central state. For what we know, this is the first time the results from this type of historical research in these two areas of the world have been systematically compared as a way to understand the puzzle described above.

The MENA region: The Waqf-fare Local State

"Charity degrades those who receive it and hardens those who dispense it."
(George Sand 1842)

The dominant form in the Arab-Muslim world for financing local religious services and other local public goods has revolved around a specific and unique foundation type institution known as the *waqf* (in Arabic [pl. *awqaf*]; in Turkish *vakif*). The term loosely translates to “forbidding movement, transport or exchange of something” (Raissouni 2001). A waqf is a religious (widely defined) large endowment, originally intended for charitable use. The historical origin of this institution is unclear, but already Mohammed encouraged the establishment of such an arrangement. Similar institutions are known to have existed in the Byzantine Empire, as well as ancient Persia (Makdisi 1981:227).

While the waqf institutions and its practice exist to this day, the focus of this study will revolve around its historical significance and the legacy it has left behind.

A person founding a waqf can and could be anyone, but it generally tended to be men² of large wealth and influence, most notably members of the religious and military aristocracy (Barnes 1986:154). Motives, besides religious piety and a charitable urge, for founding a waqf were plentiful. For one, thanks to weaknesses in Islamic property rights and strictness of Shari'ah inheritance laws, waqf was one of few means to protect a family's wealth (Kuran 2001, pp. 853).³ Another oft-cited reason for establishing a waqf was to increase the founder's and family's social standing and prestige, which in turn could generate patronage power and political clout within the local community (Makdisi 1981:40). By devoting a waqf deed (*waqfiyyat*) to the educational sector and religious schools (*madrassahs*), the founder could stipulate what was being thought in the schools: Just as important, the founder could accrue influence and patronage among the *ulama*, the important class of religious scholars in Muslim societies who were among the prime beneficiaries, and not seldom caretakers, of the waqf system (Makdisi 1981:40, Sedgwick 2003:40, Zürcher 1994:18).

Although sultans and members of the ruling elite tended to be amongst the prime patrons of waqf endowments, they did so as individuals, rather than as officials of the regime. Makdisi (1981:281) describes how this religious-educational practice was institutionalized in Arab-Muslim countries:

A private individual, the founder, instituted as waqf his own privately owned property for a public purpose, that of educating a segment of Muslim society, which he chose, in one or more of the religious sciences... He created his foundation by an act of his own free will, without interference from any authority or power. Even when the founder was a caliph or sultan or other highly placed functionary, he created an institution in his capacity as a private individual. ... the state, that is, the governing power had no control over the curriculum, or the

² Although to a no negligible extent women (Fay 1997: 34)

³ One may reflect that this possibility may have contributed to the attraction of Islam e.g. in the Balkans as the protection of Byzantine property law crumbled

methods of instruction, any more than did it over the foundation of the institution.

Peri (1992) shows that this limitation of institutional authority was not only confined to the educational system. In addition, through the waqf system, the rulers – be they Caliphs, or local notables – could provide social welfare, religious services and other public services to their subjects or clients in order to strengthen their power and over the local community. Peri further adds that through this system, the rulers could increase their power “far beyond what they could achieve through the formal frameworks of power that were under their hand”. (Peri 1992:174, see also Shatzmiller 2001:60). Moreover, the founder of a waqf was free to appoint the chief administrator, the *mutawalli*, which could be a member of the founder’s own family, and often an *ulama*, religious scholar. This position has often been inherited, thus generating a dynastic form of influence over the institution. This made it difficult for beneficiaries, or stakeholders, and of course the local population, to weather complaints regarding maintenance of the waqf or garner insight into its operations. As Baer puts it:

A charitable or religious institution, or "the poor" for that matter, had little power over the family administrator, and recurrent government attempts to impose such control failed completely until the middle of the twentieth century, not least of all because the provisions established in waqfiyyat were often ambiguous. Administrators also were able to provide members of their family with material advantages deriving from the waqf, such as the perpetual lease of waqf property. (Baer 1997:270).

Awqaf were thus a top-down institution under the power of one trustee who was appointed or inherited the position rather than being elected. Moreover, contrary to Western parishes and other local communes, the Waqf administration was not accountable to the people that used their services which diminished the need for developing accounting rules. Even if *mutawallis* were conducting their work with the interest of the people in mind, the awqaf inherently lacked the institutional devices “from below” to change and adapt to new conditions, as the endowments were subject to the ‘dead hand’ of the founder’s stipulation, whether it be centuries old. Kuran complains that, “[u]nlike

western municipalities and other governmental agencies, which were authorized to tax constituents, change their own budgets and impose new ordinances, the waqf system could not make the necessary adaptations.” (Kuran 2004:78). Although the modern-day waqf institution has changed in many ways, its management is still fraught with problems with “no transparency and lack of accountability” (Ibrahim et al 2006:27).

Due to its many uses, as well as its long history, the waqf institution is certainly a complex one, and only the core of its features and aspects can be dealt with here. What we can conclude is that it has had an immensely important role in shaping the social, political and economic fabric of Middle Eastern life for centuries. Marshall Hodgson (1974a:124) has characterized waqf as a “vehicle for financing Islam as a society”. As an example, at the fall of the Ottoman Empire in 1923, three quarters of all arable land in Turkey was waqf land (Kuran 2001:849). Awqaf was the major producer of many public goods, which could take the shape of mosques, soup kitchens (which in the 18th century fed 30,000 of a total of 700,000 citizens of Constantinople (Kuran 2001:850) schools of higher learning (Medrasahs), roads, and water fountains, among other things (Kahf 1992:8-11, Yüksel 1997). According to some observers, it was thereby possible for a person to live in a veritable ‘waqf-fare state’, quite able to accompany an individual from the cradle to the grave:

thanks to the prodigious development of the waqf institution, a person could be born in a house belonging to a waqf, sleep in a cradle of that waqf and fill up on its food, receive instruction through waqf-owned books, become a teacher in a waqf school, draw a waqf financed salary, and, at his death, be placed in a waqf-provided coffin for burial in a waqf cemetery. In short, it was possible to meet all one's needs through goods and services immobilized as waqf. (Yediyıldız 1990:5, cit. in Kuran 2001:851)

As Hodgson (1974a:124) concludes, “through the waqfs, the various civic essentials and even amenities were provided for on a private yet dependable basis without need or fear of the intervention of political power.” As for the macroeconomic effects, Çizakça (2000:8) notes that “economists looking at the waqf system would be perplexed by the fact that a myriad of essential services such as health, education, municipal, etc., have

historically been provided at no cost whatsoever to the government.” We should add that these services were thus provided without the need for taxation. Çizakça continues to note that, for the issue of income distribution, “taxation [was] definitely assigned a secondary role.” Furthermore, waqf property itself was generally not subject to taxation (Darling 1996:47). A Waqf would generally consist of two parts: the charitable institution in question, and the revenue-raising side, i.e. investments, which would often be agricultural land or property, generating dues, and as time progressed, cash that could yield interest over time (Inalcik 1969:133, Faroqhi 1974)

During the modernization efforts of the latter 19th, and throughout the 20th century, the waqf system suffered a decline in use, but it has for the last few decades shown signs of recovery. The centralization process itself underwent great difficulties due to the difficulties in establishing the worth of the myriad of awqaf, along with dishonest bureaucrats who themselves managed to embezzle significant portions of the revenue they were set to gather (Çizakça 1997:14, Barnes 1986:155-156). Kahf, however, notes that the traditional pattern of of Waqf management survived those parts of the Islamic world subjugated under colonial rule, and thus survived “a good part of the twentieth century” (Kahf 1992:11).

While the historical trajectory of the Islamic world changed over time, through expansion and decline, decentralized weak state formations and centralized absolutist rulers, the popularity of the waqf system seems to have been a constant since at least 750 AD (Kuran 2001:842), and alongside it, the state’s role as absentee landlord. Even during the pinnacle of Ottoman rule, when rulers managed to associate “the major civilian institutions relatively closely with the central state power” (Hodgson 1974b:99), the basic structures of the waqf system was kept intact.

Seen in a larger context, the waqf system illustrates a feature that, in different shapes reproduced itself for at least a thousand years, wherein the state functionally separated its responsibilities from ‘softer’ societal areas, such as religion, education and welfare – a task left to the religious authorities, and funded by waqf, even during the height of

Ottoman rule. Without having to introduce a system of taxation, the waqf-system took care of religious services and schooling, social welfare and also handled mediation of local disputes (Lapidus 1997:18. As stated by Kuran

The waqf system represented, in effect, an implicit bargain between rulers and their wealthy subjects. Rulers made a credible commitment to leave certain property effectively in private hands; in return, waqf founders agreed to supply social services, thus unburdening the state of potential responsibilities. (Kuran 2004:75)

As we interpret this, a wealthy family could protect much of their wealth over time by creating a waqf. In exchange, the waqf would finance the religious services and also other social services in their local area. An effect of this system was that the local community using the services did not have to pay for them and thereby could not claim any influence in the form of representation or systems for accountability. As Lewis argues, in the Arab Muslim world, the organization of society has traditionally been tied to religion, rather than the state, and only much more recently did the state step in (Lewis 2002:110- 112). To use the terminology from studies of state-building, the waqf system led to a lasting legacy of personalism, patronage, and lack of accountability. In fact, as Berman (2009:225), states, the waqf system was effectively “crowding out the need to organize municipal provision that would have required tax collection.” What resulted was a ‘privatization’ of the administrative structure (Salzmann 1993:394) and public sphere, wherein sultans, military and bureaucratic aristocracy, tax entrepreneurs, local notables (*ayan*), and not least religious scholars (*ulama*) could assert more or less unchecked power of over the population in a system which, to a varying extent, worked from at least the 9th until at least the 1800s. Most important, this system of financing public goods such as religious services failed to instate the institutional framework of representation and accountability that, as we will argue in the next section, were essential for the development of a “culture of democracy” in the Christian west.

Northwestern Europe: Communalism in the Parishes

The central concept for understanding the European equivalent to the Waqf-fare state is *communalism* which has been developed in a great number of major historical works by Peter Blickle who has investigated the role of local pre-democratic structures in especially Southern Germany, Switzerland and what is now parts of Austria in Western Europe in general from the 15th to the 17th century (Blickle 1989, 1996, 1997, 2000; see also Aronsson 1992a:25-28 and 1992b as well as Pounds 2004). Largely, communalism is defined as the capacity of a town or village to take charge of and promote its interests against the feudal hierarchy. This capacity was based on the commune's power to manage its economic, religious and social affairs by establishing local rules including forms for handling transgression of such rules. Moreover, the enactment of this local regulatory authority did not, according to Blickle, depend on any lordly consent, which would have been antithetical to the commune's claim to assert its interests. Communalism thus stands as an alternative to feudalism and absolutism that has dominated much historical research of politics and power in Europe during this period. The most important political structure of these communal arrangements, which according to Blickle had the same basic form in towns and country villages, was the communal or parish assembly, usually an annual meeting with all the householders who had to deliberate and decide upon issues that affected the entire commune and, important in this analysis, decide about fees and taxes. Five features of this type of local governance are emphasized by Blickle. One is the idea of egalitarianism in the assembly, the second the notion of the existence of "a common good", the third is the idea to elect representatives which, fourth, should be held accountable for how they handled economic resources and implemented the locally decided rules and regulations. It should be added that these local communal structures, after the reformation in many instances came to wield large amounts of power and take responsibility for the local religious services. As Kümin (1996:11) states regarding the situation in the 16th century: "Having achieved a strong political and legal position, many rural and urban communities in Central Europe began to supervise the moral life of their clergy, to administer parish funds,..... political and religious power was anything but a monopoly of traditional feudal elites." A detailed study of three local parishes in Sweden

during the 16th and 17th century reveals that the commoners could exercise a considerable amount of self-governing, not least in ecclesiastical affairs. This study points at the connection between control of the economic resources “from below” and power over the church practices:

The material responsibility for the church, the vicarage, and the parish treasury, gave the peasants a material advantage which could be transformed in part into an ideological resource... the popular view of what constituted good cultic practice and good divine services could be formulated with a greater degree of legitimacy (Aronsson 1992a:347)

It should be added that in general the parishes were not used as a local organization for implementing policies or for the collection of taxes as an agent for aristocracy or the central state. Tax collection for the central state was in general carried out by separate administrative entities (Cederholm 2007:346). Moreover, the elected churchwardens in England could be sworn in when the Bishops made their visitations, but “ecclesiastical officials had no authority to refuse or dismiss them. Their principal loyalty was to their community, not the Church” (Kümin 1996:29)

What characterized the discussions and forms of decisions at the parish assembly meetings was a strong emphasis on reaching consensus and to view the goods that the parish had responsibility over as “common goods”. Both in the English and the Swedish case as well as in the areas in Continental Europe covered by Blickle’s studies, there seem to have been very little of “politics as interest struggle” within the parishes and other communal local assemblies (Aronsson 1992a, Cederholm 2007:546, Kümin 1996, see also Gustafsson 1989). Instead, it seems as if the type of politics resemble what is described by Elinor Ostrom (1990) in her analyses of modern day local communities trying to “govern the commons”. However, this local consensus for the common good type of politics did in many instances give rise to a vertical type of conflict between the local communal bodies vis-à-vis the central church as well as the feudal lords (Cederholm 2007, Blickle 2000).

Aronsson (1992a) also underlines that during the 18th century, the area of responsibility for the local parishes in Sweden started to grow. A number of secular responsibilities came under the jurisdiction of local communal board such as care for the destitute, the establishment of public schools, local systems for credit and insurance and infrastructure. The same is true for the English parishes, although it seems to have happened earlier, namely that the parishes extended their responsibilities to things like the “maintenance of roads and bridges, the relief of the poor and the preservation of public order” (Pounds 2004:201, see also French 2001). From the beginning of the 17th century, managing poor relief became a heavy responsibility for the elected officeholders in the local parishes who had to collect special taxes for this purpose and, not least, distribute the relief and by this deciding who was eligible and if deemed eligible, how much they should be given according to (their interpretation of) the rules (Hindle 2004:296-298, cf. French 2001)

Regarding the positions as church warden and members of the parish council, in Sweden these positions circulated so that over a decade, almost every landholding peasant had been an elected representative (Aronsson 1992a:309). In a similar manner, studies of the structure of the English parishes show that the central position as church warden in practice circulated among “ordinary people” and that it was customary that no one could have the position for more than two years. Although the position could carry quite large economic and administrative responsibilities, churchwardens in England represented a surprisingly wide spectrum of the social strata such as bakers, blacksmiths, butchers, shop-keepers, tailors and carpenters (Kümin 1996:30). People from the gentry rarely appeared but on some rare occasions women could be elected a warden (Pounds 2004:234).

Thus, the picture that emerges is a system for managing and financing local religious practices and later many secular practices that is a complete opposite of the waqf-system. After the reformation in Northwestern Europe, it was local semi-democratic political structures with elected representatives that decided and collected the taxes, decided upon building and maintenance of the religious temples and other constructions and had a considerable influence also over religious practices. There is, however, one more feature

of this system of “communalism” in Northwestern Europe that needs to be pointed out. As stated above, present day Arab-Muslim countries do not only lack democracy, but also “good governance” and “quality of government”. In a comparative perspective, and especially given their current economic standard, they are to a higher degree than could be expected ridden by problems of corruption, clientelism and patronage. A very likely reason for this is that the economic transactions within the Waqf-system have lacked institutionalized forms for transparency and local accountability. As we have described above, the people who use the religious or social services produced by the Waqf-system usually does not pay anything and from which follows that they have little reason to demand transparency and accountability. From our readings of the history of the parish system in Northwestern Europe, the situation has been completely different in these two respects. For reason of space, we will concentrate on the situation in the English parishes during the late medieval period. The first thing to note is that the elected church wardens came to control substantial amounts of money and other resources. As Kümin tells it:

the wardens administered, bought, and sold property, organized collections of certain feasts, lent out money and various church goods, received testamentary bequests and contributions by local guilds, staged entertainments, and demanded fees for bell ringing or burial, while spending money on church maintenance, ornaments, salaries, subsidies, bridge-building, legal matters, priests and ceremonies (Kümin 1996:29).

There is no doubt that the economic resources that could be entrusted to a church warden were substantial. Contrary to the administrators of the Waqf-system, church wardens usually kept a strict separation between their private money and the communal resources they were elected to administer. Several historians have pointed out how remarkably detailed and to the minute the accounts were kept, not least considering that this was before literacy was common among the English commoners (Pounds 2004:229, Kümin 1996:221, see also French 2001). Moreover, audit regulations were strict making the church wardens accountable to those who had elected them. At the yearly parish assembly, all accounts and receipts were scrutinized, the “audit day was an opportunity for the parish assembly to exercise its sovereignty” (Kümin 1996:30). To this, one should add the visitations by the Bishops for checking the religious practices. The original Greek

word for Bishop *episkopoi*, literally means “overseer”. To our knowledge, nothing similar to these two systems of accountability and local transparency has existed within the Arab-Muslim organization of the costs or practices for religion.

Tax Farming, State Building and Democracy

While the local religious, educational and social services in the MENA region were largely handled by the waqf system and in Western Europe by local self-governing communal assemblies and parishes, in both areas the central state did of course needed to collect taxes. For this, states in the MENA region largely came to rely on a system known as “tax-farming”. The system is not completely unique to the MENA region, but it has been shaping the region in a far greater capacity than in western Europe. As Çizakça (1989:76) notes, “tax-farming dominated the life of the Muslims for more than one thousand years in a geographical dimension stretching from the Atlantic to the Indian Ocean”. The basic principles of tax-farming are fairly simple; the state sublets the rights to collect taxes to private actors, who pays a fixed amount in advance, thus assuming the risk of the enterprise. The people who engaged in tax-farming resembles those who founded awqaf, i.e. men of power and wealth, often dignitaries close to the state, especially military officers (Barkey 2008:ch. 7). From the perspective of accountability and political legitimacy there are many well-known problems with this system. These include corruption, over-exploitation of the tax-base, and, perhaps most importantly, the arresting of developing a professional Weberian type tax bureaucracy. Furthermore, it runs the risk of blurring the lines between public and private, while creating a distance between administration and citizenry (Kasaba 1988:13). As Stella argues:

The aim of modern developing country tax administrations should be to observe not only the outcome, but the process of tax collection, safeguarding taxpayer rights and the least social cost. Although tax farming facilitates monitoring the outcome, it compounds the problem of monitoring the process. The greater the decentralization, the more difficult it is to monitor the process and achieve accountability (Stella 1993:219)

Although the most top-down prone analyses of history, wherein pre-modern populations are seen merely as passive subjects, may be too simplified, the negotiations about taxes, duties and services during the tax-farming era did not occur between ruler and subject, as much as between ruler and tax-farmer, and then the tax-farmer and the people that were “farmed” for taxes. Tax-farmers were in general prone to subduing tax-payers by paternalistic means in a manner closely resembling the old feudal system, (cf. Anderson 1987:6).

Furthermore, most historical accounts of tax farming show that it has tended to be very unpopular amongst the population at large (Kiser 2008). While citizens of the Ottoman Empire were able to take their complaints of over-exploitation to the state, the discretionary power over tax rates that the tax-farmers possessed, in combination with a limited knowledge of these stipulations amongst the tax base, along with the fact that the state itself was borrowing money from these entrepreneurs, made it hard to control the tax-farmers in practice (Çizakça 1989:67, Özdeger n.d.:36, Ma 2003:447). Hence, “agricultural taxation was reduced to a relationship between the tax farmer and the cultivator in which the government intervened only ineffectually and sporadically” writes Kasaba (1988:66)

As mentioned, tax-farming did occur both in the West and the Middle East, and while the intricacies of this practice are too many and complex for the space in these pages, some major differences should be noted: First, where tax-farming in France and Britain were used extensively, it was eventually effectively centralized, and abolished while in the Ottoman Empire, despite attempts of the state eliminate it, tax-farming managed to live on well into the 20th century and as a result bringing the empire to the brink of economic collapse. (Findley 1980:310, Barkey 2008:230, 271). Second, the extent of tax farming seems to have been much greater in the Middle East. For example, whereas Western tax-farming mainly limited itself to customs and salt taxes, Ottoman tax-farmers were also engaged in collecting land rents and tithes – taxes levied upon individuals (Salzmann 1993:400, Darling 1996:47). The effect of this was according to Lewis:

The economic and social power derived from the permanent local control of tax-farms and leases produced a new propertied, influential class in the provinces, which soon began to play a prominent part in local affairs. This class interposed itself between the government and the peasantry, and intercepted much of the revenue. In theory they only held possession as lessees or tax-farmers, but as the government, through growing weakness, lost control of the provinces, these new landowners were able to increase both the extent of their holdings and the security of their tenure. In the seventeenth and eighteenth centuries they even began to usurp some of the functions of government (Lewis 1961:440)

Subsequently, we can observe many of the elements of the waqf discussion here as well: A state which gives private actors who are not elected as representatives of those that are to pay taxes the power and the responsibility for carrying out taxation resulting in a system with a lack of transparency and accountability. This had a “crowding out” effect on political representation and of the establishment of high quality government institutions, since the state “benefited in that tax-farming did not require the establishment of any complex system of collection, a body of officials to collect taxes, a mechanism to ensure payment ... or any attendant bureaucracy” (Fleet 2003:252), .

Conclusions

The revenue that governments need can be generated from several sources, such as spoils of war, owning land, establishing monopolies or capitalizing on natural resources. However, the most important stream of public finances has arguably been taxation from the subjects. In order to successfully do this, states and local governments have to develop an administrative infrastructure sufficient to collect enough taxes and this will be more effective if a certain degree of consent from the taxpayers can be established. (Bräutigam, Fjeldstad, and Moore 2008; Levi 1988). In a worst-case scenario, consent can border on near-zero, at which point the collection process will turn extremely costly since extracting taxes by brute force instead of having people paying them through consent is very resource demanding. Once consent is achieved, it is possible to speak of a

social contract between ruler and ruled, wherein the latter pays the former to guarantee protection and other sorts of public goods. From this base of hierarchical integration, vertical integration – between citizens, interest groups and sovereign states – subsequently ensues.

In the Western historical trajectory, modernization has meant that the state over time has been able to integrate these relationships, from early parishes and feudal arrangements, through communes and municipalities. There are, however clear differences in the nature of the Western and Arabic-Islamic modernization processes, and progress of respective social contracts which we believe have contributed greatly to the current differences in democracy and quality of government between the two regions.

As one of the great paradoxes of the Islamic world, during the Caliphates, and particularly the Ottoman Empire, the power of the ruler was in many ways absolute and all encompassing as the state owned, on paper, all land, and the central bureaucracy was indeed forceful, but at the same time the state apparatus was not a part of ordinary citizens' lives, especially in the periphery of the Empire. Bernard Lewis (1998:96) notes that

The introduction of the European practice of conscription in the early nineteenth century brought both peasants and townsfolk, for the first time, into close and continued relationship with the state, for the first time and with those who exercised state authority. Previously, their direct experience of the state authority had been limited to the collection of taxes and the enforcement of law. Both of these demanded obedience. Neither of them required or inspired any sentiment of loyalty.

This example hints at how the Islamic social contract might have differed to that of Northwestern Europe. Another is the fact that the notion of municipalities and self-governing cities was not conceived until the mid-19th century, when it too was imported from the West and even then it was only confined to a few cities (Kuran 2001:842, Mardin 1969:265). Thus, the development of semi-democratic local public organization was greatly hampered, as were prospects for local representation, accountability and collective action.

When we look at this in terms of the social contract, we wish to shed light upon two main features. First, in terms of *state output*, the Arab-Muslim states did not have the habit of providing the public goods, such as education and poverty relief, that in the West became embedded in society. Instead, this was founded by wealthy members of various elites, and administered by religious scholars. Second, as for the *input* to the state's treasury, the Islamic empires' dependence on tax-farming⁴ was much more widespread than in the West, and although it existed there as well, the custom lived on for a longer time (at least up until the mid-19th century). Furthermore, tax-farming was not, as in Europe, restricted to indirect taxation, such as sales or custom taxes (Kiser, 2008), but was also used to gather land tax and poll tax from citizens.

The most important result of our comparison is that we may have found the answer to the puzzling lack of democratization in the MENA region. Our answer is, in one sentence, that this has not been caused by the (Islamic) religion as such, but largely by how religious practices have been financed. In the Christian West, religion has been financed "from below" from which has followed semi-democratic representation, transparency and accountability. In the Arab-Muslim countries, religion has been financed "from above" thereby hindering the development of semi-democratic representation as well as systems for transparency and accountability in public affairs. We want again to underline the fact that the local religious organizations in both areas came also to handle a number of secular matters such as legal advice, poverty relief and infrastructure. The importance of the financial side of the religion and politics nexus has to our knowledge been lacking in existing research. For example, it is not dealt with in any of the twenty-five chapters in the recently published *Handbook of Religion and Politics* (Haynes 2008).

Although many reminiscences of these historical institutional forms remains to this day, not least in the form of clan loyalties (Palmstierna 2009), one can of course argue if the practices dating many centuries back as the ones we have described here really can explain today's situation regarding the lack of democracy in the MENA region and the

⁴ The selling out of the right to collect taxes to private entrepreneurs

stability of democratic system of governance in Northwestern Europe. To this, we would like to make two arguments, one theoretical and one empirical. The first one is that although what we have analyzed above has been strictly confined to institutional forms, one can argue that institutions like these that have been operating for a very long time will translate into cultural norms and habits, entities that Douglass North labels “shared mental models” (North 1998). The reason is that formal institutions that have been operating for a very long time can simply get taken for granted, which means that the distinction between institution and culture (or formal and informal institutions) as explanations becomes blurred. Aronsson argues that one result of the influence the Swedish peasant from at least the late 16th century had in their local assemblies over many important church related as well as secular matters was the development of a political self-consciousness which brought

an increased knowledge of the government system and its officials, and also made possible an emerging "civic" and self-regulative consciousness. This in turn led to an increase in power resources and the potential for collective action (Aronsson 1992b:44).

Thus, institutional arrangements over time translated into a specific mindset about the role of ordinary people in the affairs of the local as well as the central state, what Douglass North (1998) has called “shared mental maps” which he sees as an informal institution. Our empirical argument rests on the fact that we are not the first ones who try to show the “longue durée” of historical structures as argued by the so called Annales School in historiography (Braudel 1985). One of the most well-known analysis in this vein is Robert Putnam’s (1993) study of social capital in modern day Italy where he traces the large difference between the Italian south and north back to the political institutions that were established during the 14th and 15th centuries (city-states in the North, absolutist feudalism in the south, see also Guiso, Sapienza and Zingales 2008 who traces these differences even further back in history). In addition to the wealth of empirical research Putnam and his research associates produced to confirm their finding, we can add that a very recent survey of corruption and other forms of problems in government institutions at the regional level in EU member states gives a remarkable

support to Putnam's now almost twenty year old study (Charron et. al 2010). Regions in northern Italy are according to this survey as clean from corruption and similar practices as is Denmark, while Italy's southern regions are among the most corrupt in Europe and have a quality of government probably far below many developing countries in for example sub-Saharan Africa. From this, we take comfort that our main hypothesis how the "temples" have been historically financed and not what has taken place within them, accounts for the lack of democracy in the Arab-Muslim countries as well as the strength of democracy in Northwestern Europe.

The legacy of communalism in Northwester Europe can also been seen in the type of so called corporatist structures for policy making and policy implementation that from the late 19th century has been and to some extent still is prominent in the Continental and Northern European countries. At local and also at the national level, this system was built on the principle of having the interest organizations that had a stake in the issues directly involved and in many cases letting them have a dominant influence of how policies should be enacted and implemented in order to ensure consensus and cooperation (Streeck and Schmitter 1985, Rothstein 2005:ch. 8).

Lastly, our analysis indicates that much of the current thinking in political science about what constitutes democratic legitimacy in the Western world may be fundamentally wrong. Most of this reasoning has been driven by American theorists such as Robert Dahl, David Easton and William Riker and have been based on the Schumpeterian idea of understanding democracy as an arena for managing conflicting interests. These interests may have varied (economic, social, religious, identity) but the problem has been how to reconcile majority rule with the protection of minority rights plus understanding why groups that loose out electorally in the long run accept to be losers. If the communal understanding of the historical roots of Western democracy that we have described above is correct, then what constitutes democratic legitimacy should be sought for not in how the democratic system can handle conflicting interests and appease losers, but instead on how good it is to create consensus among different groups and to what extent it can produce and implement public goods in an acceptable (read accountable) way. This

should move the focus of which processes that produces political legitimacy from the “input” side of the political system to the “output” side (Rothstein 2009). Such a move would be in line with recent empirical work about how to explain which factors that are most important for citizens when they make up their mind if or not their political system is legitimate. In the words of Bruce Gilley (2006:57-58):

General governance (a composite of the rule of law, control of corruption and government effectiveness) clearly has a large, even overarching, importance in global citizen evaluation of the legitimacy of states... it is notable that democratic rights, while certainly qualifying as one of the most important causes of legitimacy, turn out to be roughly on par with welfare gains, and both of these are far less important than good governance. This clashes with standard liberal treatments of legitimacy that give overall priority to democratic rights.

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