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Alan Heston

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Crusades and Jihads: A Long-Run Economic Perspective

By
ALAN HESTON

Crusades and jihads have been a part of the histories of Christianity and Islam for more than a century. This article examines this often-violent history from several perspectives, focusing heavily on the period between 1000 and 1300, and on the factors that allowed Europe and its overseas extensions in North America and Australia to economically overtake the rest of the world by 1600. While some weight is given to religion in the discussion, many of the effects seem to have been accidental, both negative and positive. These include the reforms in marriage and family formation introduced by the Catholic Church; demographic pressures in Europe; and the development of institutions in Northern Europe that provided continuity in commerce, administration, and archiving of intellectual advances. The factors that favored the economies of Northern Europe and/or held back other parts of the world do not appear to be related to anything inherent in Christianity or Islam.

Keywords: religion; economic growth; crusades; jihads

We are following with great interest and concern the preparation of the crusaders to launch war to occupy a former capital of Islam, to pillage the wealth of Muslims and install a puppet government that follows the dictates of its masters in Washington and Tel Aviv.

—Reported translation of a statement
in Arabic attributed to Osama
bin Laden on *Al Jazeera*¹

To understand many current attitudes and conflicting worldviews centering on the Eastern Mediterranean, it is important to keep the economic and political events of 1000 to 1200 firmly in view. This argument is hardly new; Karen Armstrong in *Holy War* (1991) has provided a rich and provocative analysis of the conflict and cooperation between followers of the three religions that consider themselves children of Abraham and regard the Temple Mount/Al-Harram

Alan Heston is a professor of economics and South Asia at the University of Pennsylvania. His research interests include economic history and development and international comparisons of economic growth, output, and relative prices.

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Al-Shariff as their sacred space. Armstrong sums up by saying, "I now believe that the Crusades were one of the direct causes of the conflict in the Middle East today" (p. xiii). Tariq Ali (2002), in *The Clash of Fundamentalisms*, has made similar links and uses the subtitle, *Crusades, Jihads and Modernity*. President George W. Bush, in a number of justifications for attacking Iraq, harks back to a tradition of crusading and holy war, though the word *crusade*, itself, has apparently been retired from his public vocabulary after its first use.

Most Christians learn a colorful, romantic, and chivalrous account of the Crusades in Sunday school or similar settings. The crusading tradition of Christianity as seen by Muslims and Jews was probably unknown to the founders or most members of the Campus Crusade for Christ. *Jihad* as used in the vocabulary of those identifying themselves as militant Muslims is far from its original meanings; and *jihad* has now entered the international vocabulary. The many meanings given to words like *crusade* and *jihad* suggest the long and tortured relationships between Christians, Jews, and Muslims. It is a consequence of this often bitter history that while many Muslims attribute 9/11 to a Zionist conspiracy, there are many in America who brand Muslims, Arab or not, as suspect.

Economic factors are frequently mentioned when it comes to sources of conflict in the Middle East or the causes of terrorism. Two short-term factors, for example, are the asserted collective responsibility of sports utility vehicle drivers for financing terrorists and the supposed connection between poverty and terrorism. With respect to oil dependence, Iraq and many others argue that the focus of the Bush administration on regime change has less to do with weapons of mass destruction than with maintaining cheap supplies of petroleum products to the United States. The administration, of course, denies this; but one of the powerful arguments of bin Laden with his followers is how the willingness of Saudi Arabia to permit bases in its territory compromises the most important shrines of Islam. These bases are viewed as primarily safeguarding Middle East oil supplies to the United States and protecting Israel while keeping Palestinians from their nationhood and rightful territory.

Similarly, a supposed economic cause of terrorism is the lack of hope of suicide bombers who suffer from economic deprivation. Some would scuttle economic explanations of terrorism by noting that most of the 9/11 actors were from middle-class families and not economically deprived. But an important distinction to be kept in mind is that economic deprivation is more a relative concept than absolute and may be the product of both short-term and long-term factors. Certainly, many middle-class Muslim families in recent years have named their sons Osama as some type of nonreligious protest statement.

Rather than short-run economic factors, this article looks at the role of long-run economic factors in explaining what Huntington (1996) has termed the *Clash of Civilizations*. By *long-run economic factors*, I mean institutions, innovations, and other factors that allowed average incomes and total economic resources in the West in the past millennium to catch up to and surpass those of the Muslim world and other Eurasian areas. The first part of the article looks at why the Crusades of the eleventh and twelfth centuries are so much more important in the collective

memory of Arabs than of other Muslims or of Christians and Jews. The second part examines the relationship of the Crusades to contemporary and later economic and political developments and, particularly, the question of why Europe was able to overtake the rest of the world economically after 1600. Moving forward, the third part of the article briefly looks at fundamentalism, which is often seen as antithetical to explanations based on economic factors. The discussion draws heavily on the fundamentalism project of Marvin Marty and Scott Appleby (1992). These diverse strands are then brought together in the concluding section. There I argue that the economic framework of economies, particularly institutions with continuity and minimal restraints on decision making, appears to be a more important influence on economic growth than culture or religion.

A point about language is that, while appreciative of Said's *Orientalism* (1978), the vocabulary in this article has a heavily Western slant, and readers are left to sort this out. Terrorism, like piracy, is a label of the speaker or writer, as illustrated in the following anecdote. When Alexander captured a notorious pirate, he berated him as a scourge who pillaged the seas. The pirate supposedly responded, "But, sir, you pillage the world."

Holy Wars and Crusades

Some background

The focus here is on how the economic growth in Europe and North America allowed these areas to surpass those of the Middle East and other parts of the world by the nineteenth century. This, in contrast to the fact that from the eighth to twelfth centuries, the Islamic world (and much of Asia) was substantially ahead of Europe in terms of scientific knowledge, technology, and economic levels. The emergence of three major empires with non-Arab Muslim leaders in the fifteenth and sixteenth centuries still made Asia the economic center of the world. This reversal of economic fortunes referred to by Landes (1998), Maddison (2002), and others as the "West and the Rest" has been subject to a variety of explanations. Some explanations involve religion, some culture, and some technology, while most offer alternative perspectives from which to view the continuing tensions in the Middle East and the relationship of terrorism, protest, and religion.²

One recurring theme is the set of institutions and ideology that have supposedly operated in favor of the economic success of Europe and its colonial extensions after 1600. These same factors were presumably somehow absent in the Muslim world and elsewhere. The discussion views the various holy wars and crusades of the period from 1000 to 1300 as essential background to what followed. This leads to an examination of the role of institutions like private property and the economics of warfare, a digression on the effects of Dutch Disease, and the role of unintended consequences.

The initial Arab conquests during the century after Mohammed's death in 632 extended westward from Mecca to North Africa, Sicily, and Spain and to the east

through Iran to the Indian subcontinent and Bukhara and Samarkand in Central Asia. However, by 800, many of these empires were under a variety of non-Arab rulers. The ensuing period labeled by the Orientalists as the “Classical Era of Islam” was roughly from 800 to 1200, when Europe was beginning to emerge from the Dark Ages. During this period, not only did Baghdad, Alexandria, and other cities under Muslim rule become the intellectual centers of European classical tradition, they also fostered major centers of contemporary science, medicine, and scholarship. Chinese technological advances may have been more important in the long run, but for Europe in the period after 800, the contributions of archives and scholarship from the Muslim world in areas like medicine, mathematics, and science were critical.

Muslim Spain is especially interesting because of its high level of culture and learning, as contrasted with what was a much less sophisticated culture to the north. The library of the ruler of Cordoba in the tenth century was said to have contained four hundred thousand volumes, more than all the books in Europe at the time. Cordoba had a population of perhaps one hundred thousand, twice that of Paris, and third to Baghdad and Constantinople. And Cordoba had seven hundred mosques, three hundred public baths, and other public buildings.

Spain is also interesting because it illustrates the very fluid coalitions that easily crossed religious lines when secular interests were at stake. Cordoba, for example, split from Baghdad and had its own caliph of Al-Andalus. The Abbasid dynasty in Baghdad was not itself capable of putting down Cordoba, so it asked Charlemagne to attack its brethren in Spain. Similarly, the Eastern Christians and Latin Christians sought help from Muslim rulers and vice versa. It is also interesting how religious barriers could often be crossed at ease in social relationships. In Al-Andalus, there was intermarriage and integration of Christians, Jews, and Muslims, and religious differences were not a major issue. In fact, Jews had welcomed Muslim rule as more tolerant than that of Christians, with many Jews migrating from other parts of Europe to Al-Andalus.

But empires seem to always overextend themselves like investment bubbles or are destroyed by psychopaths like Al-Hakim, who was to bring down the Fatimid Dynasty in his twenty-five-year reign in Cairo ending in 1021. Rulers come along who overreach their capabilities and resources and in turn produce unified counterforces in place of formerly fragmented opponents. In the tenth century, Al-Mansur, an egomaniac who had emerged from various intrigues as the caliph of Cordoba, expanded south below the Atlas Mountains in North Africa for gold and slaves and soldiers. He then undertook more than fifty jihads into Christian areas of northern Spain to pillage and eventually expand Muslim rule to all of present-day Spain. In 997, he called for the destruction of the Church of St. James in Leon, a very important pilgrimage site because James, who was revered as the brother of Jesus, was thought buried in the tomb. The tomb was about all that was left undisturbed. The doors and bells of the cathedral and slaves were taken back to expand the mosque in Cordoba. Al-Mansur left Cordoba in weaker condition, and Muslim rule in Spain became more fragmented after 1000. Such excesses are not the pre-

serve of Muslim rulers. Phillip II was do the same for Spain five-hundred-plus years later.

The First Crusade

Pilgrimages to Jerusalem and other sites had been common for Christians before the Crusades, with large groups going to the holy land in 1070. On these treks, pilgrims were prohibited from bearing arms. The reforms of the Cluniacs, who stressed Jesus as the Prince of Peace, also became influential in the eleventh century, attracting popes, including Urban II, who saw in their monastic and celibate life a model for Christian behavior. Many were attracted to the Cluniac reforms, and new monasteries and churches were established, often on the borders between Christian and Muslim territories.

This new tradition of peace and service in parts of Christian Europe ran counter to knightly tradition and actions in defending Europe against Magyars, Muslims, and other invading groups. Knights, who were retained to wage war and kill, were not generally associated with pilgrimages. Attitudes begin to change dramatically in the decades leading up to the First Crusade. One explanation is that there were large numbers of wars between minor principalities within Europe, and the church leadership decided it would be better to harness these energies in directions useful to the Latin Church. This tension between the violent battles of knights and the Cluniac reforms became a part of the traditions and mythologies of the various crusader military orders.

A related issue was Spain. The Church in Rome and other Christians to the north envied the prosperity of southern Spain. Even before the excesses of Al-Mansur, the infidel Moor became the symbol to unify opposition. Driving the Moors from Europe became an objective supported by Rome, leading to many campaigns to reconquer Spain in the eleventh century centering in Aragon and Castile. In retrospect, these campaigns were precursors to the Crusades, combining pilgrimage and arms, and eventually led to the worst excesses of the Inquisition.

Pope Urban II's call at the Council of Clermont in 1095 to save the Eastern Church and regain the Holy Land in what became known as the First Crusade was extraordinarily successful, mobilizing well over one hundred thousand in an eastward pilgrimage cum holy war. Some important demographic and economic factors were also at play. Mayer (1988) points out that the number of local famines was increasing in the tenth and eleventh centuries, associated with increases in population and aggravated by the practice of splitting up land inheritances between all male heirs. In response, primogeniture was introduced in northern France, forcing younger male siblings to fend for themselves. These population pressures were reinforced by other changes in the family structure that were brought about by the Catholic Church after 500 and that will be discussed further below. In southern France and Italy, the practice grew of common ownership, so that some members of the family could travel for raiding or other adventures and still retain their rights in the family land. Earlier, the Normans and other Scandinavian and Germanic

tribes had moved into parts of Europe and settled rather than returning to their homelands. All of these factors helped contribute to a situation in 1000 where there was an ample supply of mercenaries and an increasing number of wars between local lords. Edmund Burke characterized employment in the British East India Company as a form of outdoor relief for middle-class families in England; in the same way, the Crusades were a way for Europe to export adventurers and potential troublemakers, at least temporarily. And settlement plus mortality from war and disease ensured a smaller return flow.

Almost from the start, the First Crusade became a series of unintended consequences, mostly negative. Byzantium was concerned about the advances into its territories of central Asians, the Seljuks, and what it wanted when it sought Rome's assistance was mercenaries it could deploy in its defense. Instead, it got a number of independent crusading groups embracing pilgrims, adventurers, knights (with some finance from their usual employers), and many camp followers with meager, if any, resources. The majority of the crusader groups needed supplies and raided villages along the way, Christian or not. Mortality was high from diseases like malaria and typhoid that were more severe when accompanied by malnourishment, poor water, and crowded conditions. And brutality was infamously memorable, including the cannibalism of the unfortunate local population of Ma'ara in December 1098, an event kept alive in Arabic chronicles. Pope Urban II certainly was motivated to issue his call to increase the power of Rome and the Latin Church versus the Eastern Church of Byzantium. It is doubtful he foresaw likely consequences of the fervor generated by his call or the lethal results of sanctioning pilgrimages cum arms. And once started, there was no controlling the several sequences of crusading groups and their leaders.

Why did the crusaders undertake such a risky venture? Mortality was high at home, so an unknown probability of death may not have loomed large against the possible gains. For some, these gains were material, such as the promise that loot could be kept on their return. Some had visions of the Middle East as a land of milk and honey, which, compared to home, it probably was. Many were paid to participate by their local rulers. Others were promised that outstanding debt or crimes would be written off. And the general offer was indulgences for sins and, by implication, those sins committed along the pilgrimage route. Most crusaders would return home, but many of the leaders sought an economic base and were inclined to attack centers like Antioch, even if that went against the interests of Byzantium. While Latin Christians maintained a presence in the Eastern Mediterranean into the 1300s, the loss of Jerusalem in 1187 to Saladin at the battle of Hattin was the beginning of the end for the crusader kingdoms.

Some consequences of the Crusades

Steven Runciman, in volume 3 of *History of the Crusades* (1954), concludes that not only were the Crusades a failure for Europe in regaining the Holy Land but that instead of containing Islam, the Crusades encouraged its expansion by motivating

the faithful and destroying the Eastern Church. Saunders (1962) sees the destruction of the power of Eastern Christianity as particularly significant. The Fourth Crusade that was to attack Muslim Cairo instead, through intrigues by Venice among others, culminated in the sack of Christian Byzantium, paving the way for its eventual demise. These events opened the door for the Mongols to move in, resulting in the destruction of monuments and libraries in parts of the Middle East. The successor Central Asian dynasties were principally Sunni Muslim, and under their administration, there was a relative decline of interest in the sciences and learning in general.

Another consequence is that the Crusades remain stronger in the collective memory of Muslims than of Christians and Jews. Yet Jewish villages were systematically subjected to pillage and slaughter in Europe as the crusaders passed through them along the way, the slaying of one infidel being as good as another in the quest for indulgences from the inexhaustible "treasury of merits" that Jesus had earned from God. One explanation of this seeming paradox is that Jews have experienced so many subsequent persecutions from Christians that the Crusades do not rank that high. One reason that the Crusades do not loom as important for the West is that in the end, Rome and Europe lost the battle but were to win the war of economic dominance in the subsequent centuries. So the cost of a failed expansion was not a brake on the future and was in fact a stimulus to the subsequent explorations of the Portuguese and Spanish.

The Crusades remain an important symbol for the Muslim world but especially for Arabs. The brutality of the First Crusade, including the slaughter of Eastern Christians as well as Jews and Muslims in Jerusalem, is only one factor. This carnage was in total contrast to the Muslim conquest of Jerusalem of Umar in 638 or reconquest by Saladin in 1187. Umar permitted Christians and Jews to live in Jerusalem, while Byzantium had restricted Jews and the crusaders were to ban Jews and Muslims. Saladin returned to the more restrictive practices of Umar's successors, which was still an improvement over Christian rule. The crusaders did not integrate well, living in castles and learning little of local language or culture, except for those that became *oriental*, a term of derision as used by most Franks (the contemporary term of reference for Europeans). Several ironies surround Saladin, one being that he was a Kurd and another that he was not celebrated in the Muslim world until the 1800s, though he was a romantic and honorable opponent of the knights in Western literature much earlier (Hillenbrand 1999).³ Saladin established what was to become the Mamaluk Empire in Egypt, which survived until it was absorbed by the Ottomans in 1521.

The argument advanced here is that the Crusades are especially symbolic for Arab Muslims in the Middle East because they signaled the beginning of a major shift in the relationship between Europe and the Middle East. Muslim perceptions of the Franks, as of most barbarians, was quite negative; they were considered sexually lax and of course unclean because of their aversion to bathing (Hillenbrand 1999). Moreover, crusader kingdoms in the Middle East became symbolic in the region as Europe's first colonies (Maalouf 1984). For Arabs, the collective memory

is stronger because by the end of the Crusades, their position in the Muslim world had substantially declined, as Turkish and Central Asian empires became the secular centers of Islam. Most Muslims in India and East Asia were converts in the sixteenth and seventeenth centuries, partly as a reaction to Dutch and Portuguese treatment of coastal rulers and Asian shipping in their attempts to control seagoing commerce. South and East Asian Muslims will have grown up with many unfavorable memories of European expansion, but not of the Crusades, which is not the case with Arabs. Maalouf (1984, 266) concludes his study of *The Crusades through Arab Eyes* by saying, "And there can be no doubt that the schism between these two worlds dates from the Crusades, deeply felt by the Arabs, even today, as an act of rape."

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But the ability of the Franks in war was acknowledged, and after the first twenty years, their rule was probably less onerous than that of Muslim rulers. Maalouf (1984) cites the chronicler, Usamah Ibn Munquid, to the effect that the Franks treated all peasants equally and by a given set of rules, whatever their religion, exacting the same taxes and leaving their property and land unmolested. The Franks had transplanted a type of feudalism to their new lands in which relationships of knights and peasants were not subject to arbitrary decisions from kings. Maalouf argues further that a failure of most Muslim empires was that institutions were not developed to provide continuity in economic life when succession battles led to discontinuities at the top. Maalouf makes an important point, but the argument here is that this is a feature of most regimes that are not built on some consensus of interest groups and is no monopoly of Muslim empires.

The Inquisition was one of many unintended consequences of the First Crusade and the need for a scapegoat to explain the subsequent loss of Jerusalem and failures of subsequent crusades to secure a permanent presence of the Latin Church. The open schism between the Latin and Eastern Christians in 1054 was an important motivation for Pope Urban II's call for a crusade to the Holy Land, as he hoped to heal the rift and emerge as the leader of all Christians. But one strand of the

belief brought back by the early crusaders from Bulgaria was that of the Cathars, which attracted many followers in Europe but especially in Languedoc in southern France. Cathars were hard to identify because their catharsis of purification came typically at the end of their lives. However, the Cathars were critical of the materialist orientation of the Catholic Church in Europe, leading to the Inquisition beginning in 1209, which became the special responsibility of Dominicans after 1233 and Franciscans in 1246.

The infamous Spanish form of the Inquisition followed the capture of Cordoba in 1236. The victors built a church to partially replace the mosque, a common enough practice though a major loss to architectural history. Muslims and Jews, if they had not fled, were to convert or die. Many did convert and still were the victims of torture to confess their heresy, as all *conversos* were regarded with suspicion. Another reaction to Muslim rule in Spain was to regard bathing as sacrilegious, and baths were destroyed, as was done later at Aztec sites. The rejection of Muslim rule, at least at the leadership level, was complete by the fall of Granada in 1492, and Ferdinand and Isabella issued an edict expelling all Jews. As a result, there was migration of large numbers of Muslims, Jews, and *conversos*, representing a great loss of human capital. While not as fanatical as the Taliban in Afghanistan, there were many aspects of the *reconquista* of Spain that set back the cause of learning. And the intolerance continued to flower throughout the Counter Reformation in the sixteenth century, the refugees taking their knowledge to Northern Europe. The last execution for heresy in Spain took place in 1826, and the Inquisition was officially suppressed in 1834.

Another unintended consequence of the Crusades was the formation of military orders of knights that not only generated the whole chivalric tradition but in fact had economic functions. Two major military orders formed the army of the crusaders in defense of Christian conquests.⁴ Initially, the orders took vows of chastity and service and were viewed as exemplary in behavior as well as effective soldiers. The Knights Hospitallers began as the operatives in hospices in Jerusalem to help with the survivors of the siege of Jerusalem, but they were to add a military wing in black in response to the rise of the Templars. The Knights Templar devoted themselves to escorting pilgrims between crusader centers as well as from Europe to Jerusalem. The Hospitallers and Templars received large contributions from Europe, which they were able to augment by conquests.

In addition, the Templars became rich as they controlled a series of castles stretching from Europe to Syria that permitted the safe transfer of funds by debits and credits without transport of precious metals. In short, they became an army, a landowner, and a bank, rivaling the power and arousing the jealousy of Rome. As a consequence, they eventually became victims of the Inquisition in 1312, though by rumor they still survive symbolically today as a part of Masonic ritual.

A second consequence of the Crusades was the increased competition between Venice, Genoa, and Pisa for trade with the Eastern Mediterranean. Initially, Venice did not want to disrupt its trade with Muslims and did not support the First Crusade, while Pisa and Genoa transported crusaders and supplies. But by 1099, when Jerusalem had been secured, the calculating Venetians agreed to send supplies and

support, which led to clashes with Pisa and attempts to monopolize this commerce for Venice. In a series of extortionate agreements over the next century, Venice was to acquire control of Tripoli and trading privileges at other crusader ports and a share of the loot from their capture led attacks on Hungarian Christians as well as Byzantium in the Fourth Crusade. In short, Venice, which was basically a militarily oriented city-state whose prosperity was based on trade, became a major beneficiary of the Crusades. Genoa, which was essentially a city run by merchants, was never able to obtain a foothold in the Eastern Mediterranean and to trade with Asia. As a consequence, Genoa sought to outflank Venice, in part, by helping to finance the voyages of Columbus. Columbus himself was to refer to his great adventure as a crusade, a tradition kept alive in name by the Knights of Columbus.

Perspectives on Europe's Economic Ascendance

Social scientists have not been reluctant to assign religion a role in stimulating or retarding economic growth. Weber ([1905] 1958) extolled the *Protestant Ethic* and suggested the retarding effect of otherworldliness and the caste system on the economic performance in India. Tawney (1948) elaborated the position that there was a connection between the Protestant Reformation and the growth of capitalism in Europe with the implication that the Catholic Church had a retarding influence. These explanations neglected the very capitalistic institutions of the Italian city-states (as well as the Templars), not to mention the economic acumen displayed by Parsis (Zoroastrians) in India, Jews in many settings, the Samurai in Japan, and traditional Hindu and Muslim business communities. So examination of the role of religion from an economic perspective is not a new activity, and I have done so in the context of the sacred cow controversy in India (Heston 1971). That exploration argued that the usual economic explanations would only take one so far and that religious motivations clearly played a role in explaining the gender composition of the cattle population in India. However, there is a tendency for economists to attribute the influence of religion as affecting tastes and demand, as, for example, the prohibitions on eating pork in Islam and Judaism. And as I have shown in discussing the incentives of crusaders, there are many nonmonetary exchanges that influence human welfare and, hence, behavior.

It is in a similar vein that this section examines some secular and religious explanations for the economic differentials that developed after 1600. An interpretation accepted in much of the world is that European gains were at the expense of the rest of the world, for which some evidence can certainly be provided. But in the realm of exploitation, perceptions are often more important than reality. In the context of religion, it is common to translate perceived economic grievances into an attack on the beliefs of the exploited by the alleged exploiters, a point to which I return below. In this section, I first examine the economic role attributed to institutions, science and technology, or simply to the chance of the draw.

The role of institutions

In *Rise of the Western World*, North and Thomas (1973) argue that a crucial element in allowing Europe to grow rapidly was the development of institutions permitting a more efficient allocation of economic resources. When productive resources become scarce, it is important to develop rights in property and productive capital to achieve an efficient allocation of resources and to generate investment. Individual merchants will not want to commit resources to long-run projects if the physical capital could be arbitrarily expropriated by rulers or robbers. Also important in the North and Thomas framework is the need to provide a system where individuals can capture the rents from developing and applying technology in new ways. This is especially true in the case of new ideas that become public goods (patents most easily protect innovations embodied in commodities) for which the innovator cannot charge. A classic case was the need for navigators to calculate the longitudinal position of their vessels. Once a method to calculate longitude was found, there was no way to prevent it from becoming public knowledge, and no charge could be levied to allow recovery of resources invested by the discoverer. One solution was a prize, such as Prince Henry the Navigator of Portugal offered in the fifteenth century, for which in fact there were many entrants but no successful claimants. A similar system financed by an international consortium of industrial countries has been proposed to stimulate drug companies to fund research to find inexpensive treatments for HIV, malaria, and the like, which firms would not normally do because the market would not permit recovery of investments in drug development.

North and Thomas (1973) argue that these institutions developed in Northern Europe as they broke away from systems that they had held in common with Southern Europe. This break was accompanied by bargaining between different constituents of Northern European countries, the lords and landowners and the merchants and artisans. These institutions were exported to North America, while South America mainly received the Southern European version. North and de Soto (1993) have argued that this has been to the detriment of the economic development in Latin America, a theme to be explored later.

Mancur Olson (1982) has taken a similar viewpoint in his analysis of the predatory state and of the role of countervailing interest groups. Two other elaborations of the institutional view that have been developed, namely, *transactions costs* and *ideology*, deserve mention. The first is that economic efficiency is improved when transactions costs are reduced. The most obvious illustration is transport, where reductions in costs permit specialization and economies of scale in production, raising global output. Williamson (1981) and others have applied the notion of transactions costs to organizations and other potential impediments to the efficient use of resources, like taxes and tolls, administrative permits, and the like. In the religious realm, prohibitions of interest and usury laws impose transactions costs on credit markets. A major transactions cost to doing business at a distance is loss due to theft on land and sea routes. Maintenance of relatively safe internal travel was a major role of land-based empires that was often financed by tolls; the quality

of protection tended to decline with disruptive changes in rule. But another major transactions cost is imposed when rights to resources are ambiguous and therefore subject to administrative decisions. For example, capital becomes dead, in de Soto's (2000) terminology, if it is not free to move to different uses because title is unclear, another point to which we will return in the conclusion.

The second elaboration is ideology, or what is often termed *social norms*. The economic role of social sanctions is important and fluid. Social norms and possible sanctions appear to have allowed markets to operate by involving future delivery of goods where no enforcement mechanism by a third party, like government, existed. For example, at annual medieval fairs, often transactions involved promises to deliver goods the following year based upon an advance payment or other agreement. No government existed to enforce such contracts. A frequent mechanism was the collective guarantee to deliver on the contract by the guild of which the individual artisan accepting an advance was a member. The penalty to a guild member who did not deliver was to be ostracized, a high cost if social mobility is low. These informal enforcement mechanisms of contracts are widespread throughout the world and underpin many forms of rotating credit. However, informal enforcement is less effective in impersonal settings such as large cities.

In this institutional view of economic history, the ability of societies to use resources and provide incentives for long-term investment evolved from authoritarian rule to a shared power structure. Rulers and forms of governance were to develop from simply selling protection to citizens for a share of their labor days and/or output to a money rent basis and some sharing of power. One of the criticisms of this line of explanation is that technological improvements are always there and simply need the right set of incentives to be applied. An alternative framework is discussed below.

North and Thomas (1973) see Northern Europe as the place where these developments in competition between different economic interests and the ruler first took firm roots. By contrast, the stagnation of Spain and many earlier empires that had achieved economic levels far above those of Northern Europe in the fifteenth century could be attributed to these institutions' only being well formed in recent times, if at all. Why these institutions had not developed in other parts of the world is not really part of the North and Thomas story. Landes (1998), in his contemporary version of Adam Smith's *The Wealth of Nations*, sees culture playing a key role in fostering institutions allowing systematic development of new technologies. The evidence that Landes gives to support a cultural explanation seems largely anecdotal, but his treatment of technology and science is important and is treated below.

Where tribal organization was typical, resources were often held in common, and in this framework, it is a major social adjustment to move to a system of private rights in property. While many areas with large Muslim populations were tribal in origin, so was Northern Europe. Furthermore, settled agriculture was common throughout China, India, and the Middle East as well as in Europe, so a general explanation of why all this happened in Northern Europe and not elsewhere, based on early social organization, does not seem well founded. Jack Goody (2000) argues

that family structure in Eurasia and other areas of settled agriculture shared many more similarities with each other than differences until at least 1000.

North and Thomas (1973) do see demographics as one major stimulus to change. As noted earlier, faster population growth in Europe in the eleventh century was seen as an impetus for the crusades. In particular, they argue that the plague or Black Death of the fourteenth century was a demographic shock that put pressures on the feudal lords because their labor force was suddenly sharply reduced, as was the surplus they could command. The consequence in Western Europe was the breakup of the system of feudal dues and traditional obligations, which was replaced by a more market-oriented system of money rents and wage labor. This leaves us with the puzzle of why Eastern Europe and Russia should go a different path, with those controlling large tracts of land able to strengthen their hold over serfs, an opportune time to turn to the role of technology.

Science and technology

There are many other explanations of what allowed Europe to move ahead in the millennium after 800 and impose its calendar, rather than the Islamic, Indian, or Chinese calendars, on the world. One type of explanation focuses on what prevented these other civilizations from maintaining their advantage in human capital and knowledge, while others focus on the question of why Europe was able to overtake the rest. Landes (1998) believes that most of the factors that North and Thomas (1973) emphasize, like property rights, are important but were well defined in Europe much earlier. His explanation stresses the role of science and technological advance that had its origins in a series of gradual changes from about 1000 that become much more evident after 1500.

Landes (1998, 201) cites three crucial factors: "(1) the growing autonomy of intellectual inquiry; (2) . . . the creation of a language of proof recognized, used, and understood across national and cultural boundaries; and (3) the invention of invention, that is the *routinization* of research and its diffusion." These characteristics of the European Enlightenment were presumably absent from or had been forgotten by other societies.

Justin Lin (1995) has offered an explanation of the Needham puzzle, namely, Why did China lose the substantial lead in science and technology that it had achieved by 1200? His model is one where the technological improvements in the early stages are primarily due to farmers' and artisans' experimenting with improved ways of doing things. If the probability of success from tinkering increases with the number of experiments, then civilizations with larger populations will undertake more experiments and have more successes. For Lin, this describes the situation in China during the high point of China's technical advances in the 1000 to 1200 period; this was a time when China had a very large population and experienced no substantial natural catastrophes or invasions. However, Lin also argues that after initial technological successes in a productive sector, it gets harder and harder to make further advances without building on records of previous advances and attempts to establish principles. In Lin's view, China would have

had to systematically record results to have maintained its momentum, but the Mandarin bureaucracy did not provide resources or encouragement for this type of intellectual activity.

What Lin (1995) sees as different in Europe is that in the sixteenth and seventeenth centuries, advances in technology and science came to be systematically recorded. This may have been facilitated by the development of medieval universities in Oxford, Paris, and elsewhere. Lin also argues that competition between various European states may have promoted advances, as compared to China, where the unified bureaucracy tended to stifle new developments. Lin's story is, then, quite consistent with the ideas of Landes (1998) and Maddison (2002) and offers a theory of why the advances did not happen in other civilizations. A similar story could probably be told for India.

In the European case, the competition was heightened by the Reformation and Counter-Reformation and the reaction of Northern Europe to the stifling effect of the Papacy on types of scientific inquiry, like that of Galileo in 1632. Associated with the rise of scientific and technical advances in Northern Europe was a corresponding shift in economic and political power from Spain. Europe, as opposed to the crusaders themselves, did absorb as much knowledge as it could from the Muslim world. The Council of Vienna in 1312 was to establish centers for the study of Arabic, Greek, Hebrew, and Syriac. There was little interest shown in the languages of Europe by the Muslim world during the Crusades or subsequently. Obviously Europe had more to learn from the Muslim world than vice versa, but the establishment of institutions for studying others was a part of an impetus to systematically record information on which future generations could build, and this the Catholic Church fostered, and universities and other institutions in Northern Europe advanced.

After the Crusades and the disruptions of 1100 to 1300, secular leadership of the Muslim world shifted away from Arab leaders. The three great Muslim empires of the sixteenth and seventeenth centuries, the Ottoman, Safavid, and Mughal, far surpassed Europe economically. However, the Sunni rule of the Ottomans, Shi'a rule of Persia, and mixed rule of the Mughals made cooperation as difficult as between the Eastern and Latin churches a few centuries earlier or between Catholic and Protestant Europe in the sixteenth century. Each of these Muslim empires excelled in art, architecture, military technology, and administrative practice, but their interest in fostering improvements in productive technology or systematically recording recent additions to scientific knowledge, outside of armaments, was limited.

There were a number of reasons for this. These were land-based empires that could obtain substantial surpluses for their leadership from the taxation of agriculture and expanding their empires, while in Europe, there was more population pressure and a need to diversify from agriculture to industry and trade. Some believe that the intellectual openness of the first centuries of Islam lost steam after 1300 and that adherents of the Sunni and Shi'a traditions tended to theological discourse rather than scientific inquiry. Perhaps the intellectual rigidity of Spain during the Inquisition and Counter-Reformation is a parallel.

Indeed, it is a seeming paradox that Portugal and Spain, which fostered the European expansion to the west and east, should have turned so inward after the Reformation. Portugal led many of the advances in navigation in the fifteenth century, but a century later, the crown looked upon royal voyages to Asia as only a source of rents, not of scientific or intellectual interest. In fact, it was the Northern Europeans who more systematically studied practices in India from the vantage point of Portuguese Goa than the Portuguese themselves. As political and economic historians have noted, the situation of Spain is seemingly paradoxical, with the acquisition of apparently unlimited supplies of precious metals leading only to military expansion, political and intellectual suppression, and subsequent economic decline. The following digression on Spain and factors affecting empires, Muslim and other, is more speculative.

The Dutch Disease phenomenon

Another approach to the sixteenth and seventeenth centuries is to put some of the changes in the world of Spain; Portugal; and the Ottoman, Safavid, and Mughal Empires in a modern political-economic perspective. What has been discovered in the past fifty years is that the blessings of natural resources can be a curse in disguise. A standard description uses the experience of the Dutch in the 1970s, when the economy was blessed by the discovery of North Sea oil and gas. The government took most of the rental income from these supplies and used them to expand social benefits, higher education, and other programs. The value of exports of the Netherlands expanded rapidly, leading to a large supply of foreign exchange that had the effect of raising the value of the guilder in terms of foreign currencies. As a result, it became expensive to buy the traditional Dutch exports of agricultural and manufactured goods. So while total exports expanded, traditional industries suffered and workers were laid off, but the expanded government revenues provided a very comfortable safety net. When the oil and natural gas revenues declined, so did government resources to finance the expanded programs. And Dutch Disease now set in with a vengeance as the declining industries could not quickly recover when the guilder devalued, and the population dependent on the government saw their entitlements dwindle.

The analogy with sixteenth-century Spain is clear on two fronts. Spain's oil and gas were the silver and gold of Mexico and Peru. This had the effect of making precious metals the best export for Spain, to the detriment of traditional industries like woolens and the wine. It is true that in the twentieth-century Netherlands, the decision of the government to expand services was carried out within a parliamentary democracy, which sixteenth-century Spain was not. But like the Dutch, Spain overspent its revenues, the Spanish crown seeking to expand the influence of Rome to its own glory. Contemporaries sought explanations for the decline of traditional industries in terms of the loss of work ethic among the shepherds, the lax morals of society, and a variety of social evils. But the root of the problems of twentieth-century Holland and sixteenth-century Spain was a large increase in resources available to the leadership that was independent of taxation efforts or of

productive activities of the population. The leadership, the parliament in the Netherlands and the crown in Spain, did not need to seek support from other elements in society to obtain more than ample resources for what they saw as priority uses.

One can see the parallels of the Dutch with most oil economies around the world. When leaders can acquire large revenues without trade-offs from other parts of a society, and democratic institutions are not strong or are nonexistent, then the quality of leadership and outcomes is very much a matter of chance. In recent years, a form of Dutch Disease has persisted in Venezuela, Nigeria, Zambia, Iran, Iraq, Saudi Arabia, and probably other countries. Several oil economies have been able to sterilize their foreign exchange earnings and avoid some of the worst economic consequences of Dutch Disease. However, factors generating large surpluses for rulers, whether they are natural resources or exploitation of newly acquired territories, do not seem to be good for long-run development of institutions.

Pushing this line of thought further, when a regime can obtain ample revenues without the need to build a coalition of support for its policies, then it does not usually establish strong institutions. In recent times, quasi-monopoly positions in oil and other natural resources and even crops like cocoa through marketing boards have provided a basis for unfettered rule by any who could claim control. In earlier times, regimes could achieve an analogous position to Spain by continued conquest of new territories. It was not easy for empires to continue expansion or even to maintain surpluses, in part because their revenue base was typically from the land and payments could be withheld. One conclusion of this digression is that like most regimes in the world, the empires of Muslim and non-Muslim rulers were sensitive to the particular individuals in power. Some rulers were highly competent, establishing conditions where both ruler and ruled prospered while others were arbitrary, short-sighted, and ruled by fear. In some cases, strong ideologies supported the divine nature of the rulers and in turn provided some constraints on the behavior of the rulers. But in few cases were institutions created that allowed continuity of administration and intellectual advancement.

Unintended consequences

Joseph Schumpeter is said to have illustrated the concept of *unintended consequences* by observing that “good brakes make cars go faster.” This is an essential element of the story that Deepak Lal (1998) puts forward to explain what allowed Europe to get ahead. He stresses the introduction of elements of a codified legal system and, following Goody (2000), the consequences of a changed family system. Lal argues that as the Latin Church took on both religious and civil roles in society as it filled the void left by the fall of the Roman Empire, it began under Gregory VII to place itself above local leaders. One way to do this was to establish a legal framework for civil activities, and so contract laws began to be written in 1075. Such laws were to provide a framework for expanded commerce but also led to an unintended reaction against the Church and in favor of separating civil and religious transactions.

Lal (1998) accepts the argument of Goody (2000) that the Catholic Church was successful in spreading a very different family system in Christian areas of Europe than had existed in settled areas of Eurasia before, say, 400. As settled communities were established in the Bronze Age in Eurasia, the family had evolved in similar patterns as a collective economic and social unit, frequently based on clan identification and organized around male patrimony. Marriages were made and conventions adopted of acceptable partnerships in ways to keep resources within the larger family. This was a common pattern in all of Asia; in Classical Greece and Rome; and in Judaism, Islam, and early Christianity.

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But when Christianity was accepted by Roman leadership in the fourth century, the Church began to advocate changes in family structure, beginning with a ban in 314 of *levirate* (the widow marrying a brother of the deceased husband) and its less common mirror image, *sororate* (a widower marrying a sister of the deceased). In 597, Pope Gregory I introduced a number of marriage reforms that were gradually to become social norms in much of Europe (Goody 2000, chap. 3). One change prohibited marriages of *affines*, like cross-cousin marriages that are common in many societies to keep capital within the family or clan. And incest was defined in a much narrower way than in Eurasian families, where, for example, marriage of half-siblings was permitted. The stricture against divorce was already there. No secondary marriage unions within the family were permitted, such as *levirate*, discussed above. The institution of godparents was created to keep orphans, and their assets, if any, in the church.

Like the Virgin Mary, women had a special place in the Catholic Church. Women were always a larger share of the followers of Christianity and frequently became attached to particular priests or monasteries. While widow remarriage was not, as in some Hindu practice, prohibited, it was strongly discouraged. Rather, it was taught that the widow should dedicate her love and devotion to the Church. Some teachings of the Catholic Church being formulated may seem paradoxical with regard to sexual relationships. On one hand, original sin and the view that sexual intercourse was only for procreation generated a great deal of guilt and reinforced celibate behavior while discouraging remarriage. And the Catholic Church

on one hand was restricting the number of approved marriage unions while at the same time it was encouraging large families within approved unions.

The Church also encouraged marriage on the basis of the choice of the man and woman rather than of parents. This clearly served the purpose of making it likely that the larger family lost control of dowry of the woman and dower of the man, as both could inherit under church doctrine. Such love marriages introduced a new element into family formation in Europe and differentiated Europe from the rest of Eurasia while at the same time introducing a great deal of guilt related to sex. This did not stop royalty from making strategic marriages or from seeking divorce and in other ways crossing church doctrine, all elements supporting the Reformation.

The Church also sought control of potential wealth through the priesthood and children of concubines or other out-of-wedlock relationships. Abraham bred offspring of his wife's handmaid, and priest concubinage was common in the early Church. Later, the move to celibacy vows for priests added to the probability that the inheritance of his family would go to the Church.

Another reform of the Church was to prohibit adoptions that transferred rights of inheritance in the case of the childless. This may account for two other offsetting institutions, namely, orphanages and homes for the elderly or abandoned. Goody (2000) argues that the net effect of these reforms, combined with premodern mortality levels, meant that 40 percent of marriages would produce no heirs. In terms of family structure, there were fewer families, with perhaps more children of the union per family. The Catholic Church did accumulate large amounts of land, much to the envy of the royalty in France, England, and elsewhere. An unintended consequence was the increasing conflicts between church and state and the reactions in Northern Europe leading to the Reformation.

After 400, the Catholic Church gradually took on dual roles, one secular, engaging in disputes ranging from civil to military conflict and generating a codified legal framework for business transactions, inheritance, and the like; and the other religious, often involving property matters, land administration, and social services, as well as fostering learning. Lal (1998) believes changes in the family were critical to the development of individualism in Europe, which he regards as unique. The link here is that young men in the reformed European family were not necessarily guaranteed an inheritance and were raised in an environment in which many social responsibilities of family were assumed outside the home. Lal sees individualism as a characteristic of Europe arising as the Christian family system gradually underwent a transformation that was not characteristic of other parts of Eurasia or other traditions like Hinduism, Islam, or Judaism. He views this individualism and the development of a legal framework of commerce as key factors in allowing Europe to move ahead economically compared to other areas of Eurasia.

Lal's (1998) story is suggestive but is only one interpretation of the possible effects of Europe's changed family structure that Goody (2000) documents. Another possible consequence is what Crosby (1986) terms the "biological expansion of Europe." Crosby sees Europe expanding between 900 and 1700 to settle in three continents and to settle or colonize the remainder. Another interpretation of

the Goody evidence is that demographic pressures in Europe were the main force of expansion. With more property within the church and fewer extended families, there was great pressure on young males to find a source of livelihood. This undoubtedly contributed to individualism, but it would also be a reason for young men to seek adventure. The first overseas expansion of Portugal and Spain is clearly in response to their geographic position and control of the Western Mediterranean, and the direct experience with Moorish rule, not necessarily demographic pressures. However, in the case of Portugal, crews were recruited for their ships from all over, including many from Northern Europe. The major difference between the European experience and other expansive societies including Arabs during the first century after the death of Mohammed, or the Golden Horde of Central Asia, is that the extent of European settlement was much larger, especially in the Americas, Australia, and New Zealand.

In addition to demographic pressures, Lin (1995) argues that Europe's terrain was such that it was difficult to unify, leading to competition. While we are not far along in a theory of the physical limitations of empire, it is quite clear that more difficult geographical terrain, other things equal, makes it more difficult to expand the size of domain. The terrain of Northern Europe in the sixteenth century did not favor large states to the extent of present-day areas of Eastern China, India, Iran, or Turkey. As military technology improves, including armed ships, regimes can command a larger land area or make previous regimes untenable. The Italian city-states sought surpluses from expanding trade, influence, and strategic ports, not from expanding their land domains. As with Portugal, naval power could compensate to some extent for land area.

Unintended consequences should have more weight in explanations of Europe's economic expansion than is usually given. A number of policies of the Catholic Church and the rapid demographic recovery from the plague of the fourteenth century appear to have unleashed an outward movement of Europeans. Some elements of chance, namely, the topography of Europe, left it hard for any one power to reach political ascendance and seem to have encouraged competition not only on the battlefield but in industry, technology, and science. The failed Crusades led to a reaction in the Catholic Church, leading it to an inward battle against heretics in the Inquisition that, in turn, probably encouraged the Reformation that articulated some "heresies" into a coherent theology. The Crusades also spelled the end to the flowering of medicine, science, and scholarship in Islam that had been fostered in Alexandria and Baghdad. The Fourth Crusade in effect ended the power of Byzantium, opening up the Middle East to a new set of Muslim rulers from Central Asia. The Catholic Church had some positive influences in fostering higher education and introducing a legal framework for commerce. But some of the reforms of family structure, aimed at enhancing the flow of wealth to the Church, induced conflicts that helped reinforce the Reformation. Continuity of institutions and rulers was weak throughout Eurasia after 1000 unless there were pressures to form support groups or an accepted ideology to constrain despotic rule.

Fundamentalism

David Brooks (2003) has reminded those of us brought up in a secular tradition that religion is not fading as a force in societies around the world. While the press points out the growing numbers of Muslims, the fastest-growing religion is probably the Pentecostal tradition of Christianity: with the inroads it has made among Catholics in Latin America and its rapid growth in Africa, it now numbers close to 400 million around the world. What is the relationship of fundamentalist views to this growth in religious affiliation in many parts of the world?

The interpretation of Marty and Appleby (1992) is that for Christianity, at least, the relationship is complex but weak. In the United States, Marty and Appleby see a tendency for the media to group Pentecostals and Evangelicals with fundamentalist groups. But because fundamentalist groups tend to literal interpretations of the Bible, have taken antievolution efforts as a major political project, and tend to be antimodern, they do not mix well with the others. Pentecostals deal with miracles, healings, and speaking in tongues, so their practices are not congenial to fundamentalists. Evangelicals, like Billy Graham, are too ecumenical, embracing Catholics and reaching out to make conversions in all parts of the world. Fundamentalism across religions offers a specific reading of certain texts or of the history of their religion and peoples. Marty and Appleby sum up their findings as follows:

We have seen that fundamentalists today in various religious traditions, sensing and studiously reflecting upon the evocative and defining power of the sacred, attempt to harness this power for what, upon close scrutiny, turns out to be an almost bewildering variety of political, social and religious ends. United only by a common conviction that the sacred is under sustained attack by the forces of secularization, fundamentalists seek to reconsecrate the world. (P. 192)

While some associate fundamentalism with resistance to the secular and the modern world, spokesmen and terrorists in the name of fundamentalist causes have embraced the latest in information technology and secular advances in technology in their organization and communications. Fundamentalist appeals frequently focus on sacred space that provides a concrete focus. This is true of Hindus, who continue to appeal to followers to right the wrongs in Ayodya, where Muslims built a mosque on the site thought to be the birthplace of the god Ram. And Jerusalem is the sacred space for Christians, Jews, and Muslims and continues to provide a fundamentalist appeal. Combined with visions of a second coming shared by small groups of Christians and Jews, it provides in some cases a strange marriage of interest of two fundamentalist traditions. There is no question of the strong appeal of these traditions and the amazing degree of political influence they have been able to generate, particularly in the case of Israel and indirectly in the United States, where Christian fundamentalists typically support Israel. Wahabis in Saudi Arabia have been able to similarly obtain great political leverage on the regime far beyond their numbers. For present purposes, we accept the view of

Marty and Appleby (1992) that without denying the fervor of true believers, fundamentalism is used for a wide variety of political aims by many leaders who claim to be adherents.

The growth of organized religions around the world, with the exception of Europe, does not appear to be directly connected to politics. However, in many instances, such as the growing number of Evangelical Christians in Brazil and other Latin American countries, it can be viewed as a reaction to the failures of governments and other institutions to address concerns of major population groups. One of those institutions in Latin America is of course the Catholic Church, which has been a hierarchy heavily identified with governments and one that does not provide direct access to God in the way that Evangelical worship provides.

In terms of what is often termed social capital, I would argue that the Evangelical traditions of Christianity and the mosques and temples of Muslims and Hindus in countries of immigration are important. Frequently, they perform an educational function, are intermediaries to government, and are a network of communication and information. The number of mosques that are alleged to foster terrorism, or temples and organizations financing separatist movements in India, Ireland, or Turkey, are probably small compared to those providing religious education and social identification for their members.

Conclusion

This article began with a discussion of crusades and jihads and their symbolic importance in the past thousand years. An examination of the period of the Crusades suggested that they marked a number of important changes: the decline of the influence of Arabs, the decline in importance of Byzantium, the rise of Muslim empires ruled by Central Asian groups, the increasingly inward orientation of the Catholic Church as exemplified by the various Inquisitions, and a gradual hardening of lines between Sunni and Shi'a Islam. The winners from the Crusades were the new Turkish Islamic groups and the Italian city-states. The losers were many, including Jews and especially Arabs, whose collective memory still resonates with the barbaric nature of the Crusades.

Scholars like Maalouf (1984) ask the obvious question of why the Arab world has not been able to put such injustices behind it. One reason that has been discussed is that Europe was able to get on with the ultimate failure of the Crusades in retaining the Holy Land because of their later successes. European average incomes and levels of technology and learning were to substantially surpass the levels that the Arab world once achieved relative to Europe. A second reason is that Europe (sometimes with the United States) has done nothing but rub salt in the wounds with its colonial conquests, disrupting partitions so well described by Kitchens (2003), and its policies with respect to oil and the establishment and maintenance of Israel. And the whole European approach to the "other" involved in the Orientalist scholarship of colonial administration and power relationships has done little to improve understanding.

In reviewing a number of explanations of the economic success of Europe, most of the factors that scholars suggested differentiated the “West and the Rest” have little to do with anything intrinsic to the Muslim world. The eventual scientific and technological leadership of Europe beginning in the seventeenth century is clear. Lin (1995) argues that China failed to follow up its advantages in part because it was a homogeneous empire dominated by a set of administrators who were focused on maintaining tradition and past glory. In Europe, on the other hand, there was competition between small Northern European states and later between Protestant and Catholic areas. This competition was reinforced by the pressures on individuals to seek success independent of their family fortunes, resulting from the less inclusive family structure produced by Catholic marriage reforms. Goody (2000) sees this as a major change compared to the more inclusive family structures that had characterized Europe and the rest of Eurasia and, though modified by urbanization, remains strong in Eurasia and in the Islamic and Jewish traditions. The aggressive colonization and settlement patterns in Europe also seem related to this changed family structure as well as the political-economic structure of those states surrounding the Mediterranean.

Unintended consequences are a part of any account of Northern European ascent as well as descent in empires like Spain or Moghul India. When succession is unclear and there are few brakes on the behavior and decisions of rulers, mobilization of opposition is likely to bring down poorly performing regimes. Whether successors can pick up the pieces will depend on whether there is continuity of institutions and of stakeholders.

Is there anything special about the Muslim world? In the Middle East, it has been noted that democracies are scarce, but many examples of dictatorships, like Iraq, involve secular, not Islamic, governments. A simpler explanation is that when leaders can obtain control of resources without building up a consensus, as is possible in petroleum-based regimes, it is very conducive to autocratic government. There is one feature of European and North American success that North and Thomas (1973) emphasize, and that is security of property from arbitrary decisions by governments.

A central theme of de Soto (2000) is that in much of Latin America, Africa, Asia, and Eastern Europe, there are major restrictions on the mobility of capital because ownership and transfer are restricted. Such restrictions are very strong in Egypt, for example, where to obtain title to desert land requires from eight to fourteen years with eventual approval coming not automatically but through bureaucratic discretion—that is, rarely without a payment. Such stories can be repeated in India, the Philippines, and in many parts of Latin America. The bottom line is that savings efforts by individuals are not easily expanded because of the bureaucratic obstacles to obtaining title. This in turn leads to a great deal of dead capital, by which de Soto means resources that cannot be moved to more efficient uses without recourse to administrators where the decision rules are not transparent. These kinds of restrictions on use of capital are prevalent in the Middle East and elsewhere, and these higher transactions costs have the effect of retarding economic growth. Hong Kong and Singapore are clear exceptions, as are the special eco-

conomic zones in China, but for the mainland, the ownership and control of capital in China is still shrouded in ambiguity.

In short, there are many explanations of the political and economic structure of Muslim countries that have not reached their growth potential that have nothing to do with Islam, just as success stories like Malaysia have less to do with Islam than with substantial investments in human capital of both genders. The heritage of autocratic decision making appears a common feature of many countries whose economic performance has been disappointing.⁵ The suggestion of North and Thomas (1973) and of Justin Lin (1995) that this may have grown out of the competition between interest groups within the states of Europe and reinforced by the competition between the numerous states remains a plausible explanation.

The relative economic deprivation of peoples can be a powerful motivating factor in behavior leading to civil war or protracted protest. In the present state of hostility and misunderstanding between much of the Muslim world and the United States, it is easy to take inherent religious or societal differences as the source, creating still larger apparent gaps that the politically expedient can exploit. In this article, the theme is that a large source of difference has an economic base with roots going back to the period of the Christian Crusades and that this continues to exert an influence in the Arab consciousness.

Notes

1. Quoted in the *New York Times*, 15 February 2003, p. A11. An intellectual and theological rationale of this quotation is provided by Paul Berman (2003) in an article that appeared as this piece was going to press. Berman's fuller exposition will appear in book form and is titled *Terror and Liberalism* (Norton).

2. Kindleberger (1996) in *World Economic Primacy* offers a cyclical version of primacy of civilizations and regards the ascendancy of the West as a temporary bubble. The key mechanism, he argues, is that civilizations cannot continue to maintain any technological advantage against newcomers. Mancur Olson (1982) in the *Rise and Decline of Nations* offers an explanation that is complementary to the institutional position discussed in the text.

3. The fact that Saladin was a Kurd did not prevent Saddam Hussein in 1991 from appealing for Muslim support claiming that he, like Saladin, was battling the crusaders.

4. There were other orders such as the Teutonic. As the name implies, the Teutonic Knights were German in origin and were eventually to play a role in the formation of Prussia as a state.

5. China might seem a major exception to this statement, but this is partly an illusion since decision making does involve a great deal of bargaining between regional and other power groups. Shirk (1994) has referred to the internal bargaining within the Communist Party of China as a process of "playing to the provinces," something at which most leaders in China are quite skilled.

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