

## **Heterodox Economics Newsletter**

ARAB DEVELOPMENT DENIED: DYNAMICS OF ACCUMULATION BY WARS OF ENCROACHMENT, by Ali Kadri, New York, NY: Anthem Press, 2014. ISBN: 978-1-783-08267-4. 259 pages.

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Since the end of the Second World War, the Arab world has suffered from perennial instability, dictatorships of every stripe and horrendous violence. Almost all efforts at normalization from within the region as well as from the outside have met with spectacular failure. Even the so-called Arab spring, which appeared to offer so much hope, has now largely become the winter of Arab discontent. As this review goes to press, the United States, along with its allies, is, once again, headed to the Arab world to deal with the so-called Islamic State (ISIS).

A lot has been written about the maladies that ail the Arab world. From Postcolonial narratives such as Edward Said's *Orientalism* (1979), grand historical works like Bernard Lewis' *What Went Wrong?* (2002), to popular tomes like Samuel Huntington's *Clash of Civilizations* (1996), there is great diversity in approaches. Even today, Arab scholarship features prominently in the most-noted literary periodicals. Some recent scholarship includes Juan Cole's *The New Arabs* (2014) and Shadi Hamid's *Temptations of Power* (2014). Throughout, most scholars have tried to grapple with the same fundamental questions: Why has the Arab world not been able to extricate itself from political instability, constant war and mayhem? Why have the Arab countries not been able to deliver on the social, economic and political fronts for their 350 million inhabitants? Why is there so much anti-Western sentiment in the Arab street? Despite the vast scholarship, there is no unified theory.

Ali Kadri's latest book also grapples with these fundamental questions, albeit with a focus on the Arab working classes—a unit of analysis also employed by Howard Zinn in *A People's History of the United States* (1980). Kadri starts off by endogenizing the rather curious phenomenon of reverse development, or what he labels “de-development” in the Arab world. Instead of a mere stasis in the process of development, the Arab world has actually regressed in the quality of its capital stock, median incomes, employment generation and civil liberties, especially in the last three decades. Resultantly, where reverse development has caused unbearable grief for all Arabs, it is the Arab working classes that have borne the brunt of this regression.

Kadri weaves a largely Marxian narrative by establishing the importance of social relations of production within a capitalist economic system. Social relations of production, where they are the determinants of class relationships in the Arab world, are themselves determined by those who get to control oil in the Middle East, given the disproportionately large oil sector in the major Arab economies. This is where war enters Kadri's analysis as a variable for “...wars are an integral part of the global economy” (p. 21).

Through war, argues Kadri, “US-led capital” not only establishes its hegemony on the region ensuring an uninterrupted supply of oil, but also upholds the power of the ruling classes to the detriment of the working ones. For this reason, individual dictators may be brought down through popular protests or violent resistance, but the dominance of the ruling classes remains intact. According to Kadri, wars not only produce mayhem in the Arab world, they also bring

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about unique benefits for the developed world economies. Wars galvanize the development of “civilian spin-off” technologies, thus assisting with “...maintaining an edge for US-led capital in technological advance and intellectual patents required for supremacy in the global production process” (p.21). In other words, the never-ending wars of the Middle East are largely responsible for the Arab predicament, while simultaneously serving as engines that drive global capital accumulation.

Where war abets the Arab ruling classes’ control over oil, war, according to Kadri, is also functional in a Marxian sense, in that it “commodifies” human lives. That is to say that by creating a massive crisis of unemployment emanating from violence and instability in the Arab world, war also demonstrates the worthlessness of labor thus perpetuating the subjugation of the Arab working classes. “War demonstrates labour’s [sic] (apparent) irrelevance and justifies its low returns on the basis of its lack of scarcity” (parentheses in original; p.115). War, then, is an ultimate tool for strengthening the ruling classes’ grip over Arab society.

Kadri’s analysis of macroeconomic policies, however, lacks clarity in certain places. For instance, Kadri argues that the reason behind pegged exchange rates (mostly to the US\$) in the Arab countries is to enable the Arab ruling classes to grow their assets. The surplus that the ruling classes usurp locally comes to have immediate global value as the exchange rates are pegged. “Given the high ratio of ruling-class to working-class assets, the pegged exchange rate policy was more of a subsidy to the rich” (p.57). These pegged exchange rates, according to the author, have also led to food inflation in the Arab world. However, only a couple of pages later, Kadri changes track and points out that food prices in the Arab world rose because of global food price inflation and free-trade agreements. This confusion notwithstanding, Kadri also does not analyze whether a pegged exchange rate might have been put in place in order to guard against the ravages of what is known as the “Dutch Disease.”

Conventional scholarship on the Arab world has largely ignored the role that wars, or power, has played in bringing about the Arab predicament. By so doing, conventional scholarship has not contributed significantly towards a holistic understanding of *real* social and economic processes in the Arab world. A major reason behind this inability is how power, as a variable, is completely—and intentionally—underutilized (read: shunned) not only in mainstream economics but also increasingly in mainstream political science that has been trying to fashion itself after neoclassical economics for a while. For instance, in New Institutional Economics (NIE), thrusting “microfoundations” onto human beings transforms them into rational, utility-maximizing agents, who tirelessly strive to aggrandize their gains. As a result, NIE is able to theorize about complex social phenomena as mere exercises in constrained optimization without any regard to how unequal bargaining power may put a certain class of individuals at a disadvantage throughout history.

In the real world, individuals are embedded in institutional structures; they do not possess exogenous preferences and rational expectations. Rather, as William Dugger pointed out in a seminal paper (1980), human beings not only “learn” their goals and motives, but also acquire the means to gain power in order to achieve these goals. In a sense, power is a great enabler, or hurdle, depending on how it is mediated through a society’s institutional structure. Rational choice theory-inspired NIE that implants rational, utility-maximizing agents into game theoretic

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models may be a parsimonious mechanism for building a “positive” political science, but it is not reality. It is a poorly drawn caricature in broad strokes, at best.

In the final analysis, through endogenizing the curious case of reverse development—social and economic regression, Kadri offers a new window into the Arab street. By anathematizing war, Kadri makes a novel contribution towards Arab world scholarship. His class-based narrative shows how war—or the desire for power—over oil is the main culprit behind the heart-rending grief in the region. The never-ending season of war is also one of the chief reasons why the so-called Arab spring was largely unable to displace the *ancien régimes*, except in the case of Tunisia. The book should serve as a good resource for development practitioners as well as for policymakers keen on obtaining a better purchase of Arab society, politics and economy. Graduate students in both political science and economics would also find the book interesting owing, in part, to the unit of analysis employed.

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