

**Stephen J. Glain.** *Mullahs, Merchants, and Militants: The Economic Collapse of the Arab World*. New York: St. Martin's Press, 2005. 350 pages. \$25.95. Hardback.

“What if regions of the World were like the neighbourhoods of a city?...The Arab street would be a dark alley where outsiders fear to tread,”<sup>1</sup>

(Thomas Friedman)

In this book, Former Wall Street Journal reporter Stephen Glain sets out to answer an extremely broad and difficult question: namely why is it that the Arab world, specifically the Levantine region, has consistently underperformed economically since the beginning of the 20th century.

The book provides the reader with a somewhat in-depth analysis of the political, social and economic state of six Arab nations (Lebanon, Syria, Jordan, the Palestinian territories, Egypt, and Iraq). By breaking down his analysis into country-specific chapters, Glain enables the reader to understand the multi-faceted problems facing the region as a whole. In doing so, Glain shows the reader a common thread of bad governance, corruption, negative external interference, and protectionism; the thread that runs through all these nations, causing economic decay.

Glain uses anecdotal evidence from what is referred to as the “Arab Street” in order to paint daily-life pictures of the economic woes that Levantines are faced with. It is easy for economic analysts to reflect upon the state of any given economy behind the relative safety of an impersonal wall of economic indicators and statistics. That is not to say that conducting a purely empirical study of an economy is any way, shape or form less valid than a more personable, hands-on approach. However, Stephen Glain adopted the latter in his approach to the problem. Having lived in the middle-east for three years as a reporter for the Wall Street Journal prior to writing this book, Glain provides an extensive, on-the-ground economic account gleaned from the direct perspectives of local Arab businessmen, workers and journalists. The advantage of adopting such a methodology in forming a study is the ability of the author to bridge the gap between economic indicators and their impact of the daily lives of people living in those economies.

Glain is also right to emphasise the fact that Arabs are not by any means inherently deficient when it comes to economic matters. In order to punctuate this point, Glain riddles his narrative with historical flashbacks of Umayyad and Abbasid successes in government and management of their respective economies. From there Glain goes onto discussing the economic maladies facing the six aforementioned nations.

One of the most obvious themes that tie these countries together is the effect of the ongoing Israeli-Palestinian conflict on the economy of the West Bank itself and the neighbouring nations' economies.

There are however some glaringly obvious oversights in his analysis. In the Jordanian chapter Glain bemoans the inability of the Jordanian government to efficiently and competently expedite privatisation. In order to back up his claim Glain cites the Aqaba railway corporation and uses this as a reflection of the privatisation process in general. This is not an accurate representation, because the Jordanian government has successfully privatised 44 state-owned industries since 1998 worth a total of 1270 million dollars.<sup>2</sup> In attempting to

<sup>1</sup>Thomas Friedman, *The World Is Flat*, New York 2005, p. 316.

<sup>2</sup><http://www.privatizationlink.com/country/cntrybrowse2.cfm?reg=4&cntry=104>

draw parallels across international borders Glain has overlooked the progress that various governments such as the Jordanian government have achieved in the past 10 years.

Furthermore, Glain does not fully express the similarities between Iraq, Syria and Egypt under nationalist socialist regimes advocating autarky, protectionism and economic isolationism.

Another criticism of the book has to do with Glain's failure to explain how corruption affects the economy. For example Glain does not explain that high levels of corruption in the bureaucracy function like a tax. The same argument can be made for the presence of a large inefficient bureaucracy. Glain also does not explain how privatisation might foster growth and welfare by increasing efficiency and consumer surplus. In addition, we also see in the Egypt chapter the presence of capital controls. Glain complains about how hard it was for him to exchange 196\$ for Egyptian pounds but does not tell us about the economic mechanism by which this sort of control can have negative effects on the economy in the form of repelling foreign investment, as well as creating a distortion in the market which prevents the currency from adjusting to changes in the import/export market.

It is from this perspective that Glain's title "The Economic Collapse of the Arab Economies" can be misleading, as it has only limited or superficial economic analysis drawn from mostly anecdotal evidence.

The Economic maladies of the Arab world are numerous and it would be difficult to list all of them. We can however, say broadly that the Arab world suffers from serious bad governance, isolationist policy, lack of adequate infrastructure to support growth and development, stagnant productivity and the misallocation of resources as a result of large state-owned and tariff protected industries.<sup>3</sup> To this general list of problems we can produce an equally generalised response. The fact that government structures in the Arab world tend to be highly centralised and non-democratic need not be a negative attribute. The Arab governments could expedite reform through their centralised structures by reforming public savings through social security funds in order to increase savings and as such increase growth. They could also redirect resources towards human capital development in order to increase worker productivity and move away from stagnated and technologically deficient industries. This should be coupled with a general movement towards gradual liberalisation of trade and capital controls. This liberalisation would lead not only to greater competition and higher productivity but also would help technology transfers from the more technologically developed world. These are issues that Glain has merely paid lip service to in his book. He touches upon some of these subjects but does not adequately illuminate the manner in which reform could be undertaken.

All in all, this book brings valuable insight into the machinations of the stagnant Middle Eastern economies from the ground level, thus illuminating the many hardships population in these countries suffer as a result of bad management and unfortunate international political circumstances.

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<sup>3</sup>Arab human development report 2003, UNDP.