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**POLITICAL CONSEQUENCES OF ECONOMIC REFORMS
IN THE MIDDLE EAST**

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**ПОЛИТИЧЕСКИЕ ПОСЛЕДСТВИЯ ЭКОНОМИЧЕСКИХ РЕФОРМ
НА БЛИЖНЕМ ВОСТОКЕ**

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Abstract

This article explores the political consequences of economic reforms, particularly the relationship between economic reforms, the behaviors of Islamic movements and implications for democratization. This study traces the twenty-year process from economic reforms caused by debt crisis during the 1980s to outcomes of violence or non-violence during the 1990s. Economic reforms change the interest structure of the society. If Islamic groups are included in the winning coalition need to carry out of reform, they often benefit from reforms. If Islamic groups are benefiting from reforms, they support liberal economic policies. If they are losing, they support statist policies that provide material benefits. Islamist movements radicalize when they face oppression if two conditions present. First, if the losers comprise the majority of Islamists, the radicals among them outweigh the moderates. Second, if Islamists are homogenous unprivileged groups in terms of their economic and social circumstances, they solve the collective action problem and turn violence. On the contrary, if they are diverse among the classes, ranging from bourgeoisie to workers, they cannot solve the collective action problems and stay moderate. I argue that Algerian Islamists fit the first category because they are mostly unemployed, educated urban youth, while Turkish Islamists can be found in all social classes including bourgeoisie. Therefore we get violence in Algeria but not in Turkey. I apply Mill's method of agreement and method of difference to eliminate rival hypotheses and use process tracing to explain the stages of causal mechanism from debt crisis to the outcome of violence or non-violence.

Key words: Economic reforms, political consequences, Middle East, Islamic groups.

Аннотация

В данной статье рассматриваются политические последствия экономических реформ, в частности, как экономические реформы повлияли на исламские движения, и как это отразилось на процессах демократизации. Это исследование прослеживает двадцатилетний период экономических реформ, вызванных долговым кризисом 80-х гг., обусловивших процессы насилия или ненасилия в течение 90-х гг. Экономические реформы изменили процентную структуру общества. Если исламские группы присутствуют в победившей коалиции, то они поддерживают необходимость проведения реформ в своих интересах. Если исламские группы получают выгоду от реформ, то они поддерживают либеральную экономическую политику. Если они проигрывают, то поддерживают этатистские политики, которые обеспечивают им материальные выгоды. Радикальные исламистские движения способны совершить насилие, когда присутствуют два условия. Во-первых, если среди проигравших большинство составляют исламисты и радикалы перевешивают умеренных. Во-вторых, если исламисты

представляют гомогенные непривилегированные группы с точки зрения их экономических и социальных условий, то они решают проблему коллективными действиями путем насилия. Наоборот, если они представляют различные классы: от буржуазии до рабочих, то не могут решать проблемы коллективными действиями и остаются умеренными. Я утверждаю, что алжирские исламисты подходят к первой категории, потому что в основном представлены безработными, это образованная городская молодежь, в то время как среди турецких исламистов могут быть все социальные классы, включая буржуазию. Поэтому мы имеем насилие в Алжире, но не в Турции. Я применяю метод договора Милля, способ устранения разницы для конкурирующих гипотез и использую процесс трассировки для объяснения этапов развития причинного механизма проявления насилия или ненасилия вследствие возникновения долгового кризиса.

Ключевые слова: экономические реформы, политические последствия, Ближний Восток, исламские группировки.

Introduction

“After Algeria, might Turkey be next?” asked an Economist article in 1995 considering the rise of the Welfare Party (WP) in Turkey. As had been predicted the Welfare party increased its percentage of votes and came to power in a coalition with the True Path Party. Also as predicted the military intervened and forced the Islamist Prime Minister to resign. Turkey, however, did not become another Algeria where the conflict between military and Islamists became a civil war. This study tries to explain this puzzle: why did some Islamists turn to violence when they face state oppression, such as Algerians, whereas others continue to struggle utilizing peaceful means, as in Turkey? Hence the presence or absence of collective violence is the ultimate dependent variable of the study.

The study also attempts to answer two puzzles related to the dependent variable. First, why do some Islamists favor liberal economic policies as in Turkey during the 1980s and 1990s, while others do not as in Turkey before 1980? Second, why do some regimes prevent Islamists from coming to power, as in Turkey and Algeria, while others let them share power as in Jordan?

On a more theoretical level, the study explores the political consequences of economic reforms, particularly the relationship between economic reforms and collective violence. The definition of economic reforms and structural adjustment programs are defined as “...is a generic term for the shift in state economic policy toward greater reliance on market forces, increased emphasis on the private sector, improved public-sector decision-making, and wider opening to international markets.” On the other hand, structural Adjustment programs are “packages”: they have internal, logical coherence.” (Richards and Waterbury, 1996: 223). Collective violence is defined as “...a mixture of the two -unorganized individuals, collectivities or organizations involved in a battle over time against a common foe.” (Pitcher et al, 1978: 24). This study traces the twenty-year process from economic reforms caused by debt crisis during the 1980s to outcomes of violence or non-violence during the 1990s. Therefore my independent variable is debt crisis. Most countries in the Middle East have undertaken some economic reforms during the past twenty years: Turkey, Jordan, Algeria, Egypt, Morocco, Tunisia, and Syria. With variation in the outcomes, these reforms have changed the economic and social structures of these countries. As a result, some Islamists have gained economic and social power, such as the Islamist bourgeoisie in Turkey, while others have lost status, such as workers in Turkey and Algeria.

As result of economic reforms, some regimes have opened their political systems to competition from Islamists. In some countries like Turkey and Jordan, Islamists came to power through free elections. In Algeria, the military cancelled the elections, preventing the Islamists from seizing power; the Algerian Islamists turned to violence. As in Algeria, in Turkey the military also forced the Islamist Prime Minister to resign; however the Turkish Islamists accepted defeat and did not turn to violence. In Jordan, Islamists were not prevented from power but they lost in later elections. Therefore three different outcomes emerged: violence, non-violence, and non-oppression. The aim of this study is to explain this variation in the outcome.

I propose three theses to explain the puzzles mentioned above. First, the position of Islamists in the economy determines whether they choose violent or moderate strategies during the oppression. Second, the regimes oppress the Islamists when they threaten the former's economic interests. Third, Islamist supports for liberal or statist economic policies depend on which of those policies they most benefit.

These theses are based on the following assumptions. All actors are utility maximizers, whether they are Islamists or ruling elite. Islamists maximize their material interests as well as their cultural interests. All actors are violence averse, that is, no player wants to use violence unless their interests are being threatened in a fundamental way. Therefore, there is nothing inherently violent about Islamists or the military. All actors calculate the costs and benefits of oppression or violence. If the cost of oppression is lower than the cost of toleration, regimes are more likely to use oppression.

The study is organized in the following manner. The first section discusses the literature related to economic reforms in the third world, Islamists movements and regime dynamics. The second section gives the outline of a specific set of questions to be addressed in the study. The third section presents the hypotheses to be tested. The fourth section proposes the preliminary explanation that relates the dependent and independent variables. The final section discusses the issues of case selection and methodology.

Literature review and theory

This study hopes to contribute to economic reforms, political Islam, collective violence, regime change, regime stability, and democratization literatures. Few would oppose the belief that there is an interaction between economic and political variables in developing countries. Understanding those interactions in the Middle East constitutes first causal mechanism of this study. Anne O. Krueger gives an overview of the emerging view of the political economy of economic policies in developing countries. (Krueger, 1993:9) The first of three major themes is that "politically determined policies have economic consequences that can and do change the political equilibrium that generated those policies. Second, the adoption of the same economic policies in response to the same economic crises has different consequences due to nature of governments. Third, economic policy cycles may emerge where neither the governmental type nor the set of economic policies are exogenous. "Earlier policies and market reactions to them may determine what the political coalitions are, and what economic policies are adopted. Those policies in turn would have effects on the evolution of markets and political coalitions." (Krueger, 1993: 10).

This study takes the coalitions as given when the economic reforms started and traces the changes over time. Did economic policies change the coalition structure and form new coalitions? To answer this question, it is important to look at: (1) the positions of major social and economic forces in the economy, bourgeoisie, labor, military, and Islamists; and (2) how the position of these classes changed during and after economic reform.

How does current literature explain the violence in Algeria? Cultural and ideological explanations are frequently used to explain the situation in Algeria. For example, Addi divides Algerians as the Nomenclature, Islamists and democrats and apply different criteria for each group whether and to use violence or not. He argues that the reasons the military repressed the Islamists was survival and to avoid punishment of past mismanagement and corruption. His criteria is different for Islamists

The Islamist is ready to kill in the name of millenarian utopianism that conceives of the individual as a terrestrial means toward a heavenly end. In essence, he is ready to kill for a better world as deduced from his politico-religious convictions. (Addi, 1996: 105)

According to Addi democrats always rejects violence. There are several problems with this analysis. First, the applying of different criteria to analyze different groups is not justified because it does not answer the following questions. Is it also possible for the military to have a culture that justifies killing? If Islamists are ready to kill, why do they so in some countries and not in the others? More importantly even in same country, why do they so in that particular moment and not before? The second problem that Addi utilizes is unjustified cultural determinism to describe Islamists

as killers and democrats as peaceful people. I argue that there are no constant cultural characteristics as violent or peaceful. People turn to violence or non-violence according to their positions in economy and society. Therefore, we need to take preferences as endogenous not exogenous.

The real preferences of Islamists are to see Islam in power and they are fixed, however their induced preferences and strategies are determined by their position in the economy and interaction with the regime. Therefore, all Islamists may not have the same induced preferences. If they are unified in terms of socio-economic positions and loosing, they are likely to solve collective action problem when they face oppression. On the other hand, if they are diversified economically and some of them are losers and others are winners, they are unlikely to solve the collective action problem when they face oppression. I argue that Algerian Islamists fit the first category because they are mostly unemployed, educated urban youth, while Turkish Islamists can be found in all economic classes including bourgeoisie. Therefore we get violence in Algeria but not in Turkey.

Theoretical considerations

The study combines structural and transitional approaches by finding the middle ground but giving more weight to structural approaches. The first problem with transitional approaches is that they do not consider the background factors; therefore they explain very little. We want to know why and how a country reached the conditions in which rational actors operate. The second problem with transitional approaches is the differentiation between hardliners-reformers and moderates-radicals, on which transitional approaches rely, is not useful in all cases. For example, radicals are not apparent in the Turkish case but are in Algeria. It is important to explain why we have more hardliners than reformers and more moderates than radicals in some cases and not in others.

Pure structural approaches, on the other hand, do not consider agents as players. Although agents are restrained by structural factors, they have some choices that matter. The second problem with structural approaches is that they assume classes as uniform actors. This argument is empirically false because, depending on the case, the bourgeoisie and labor may be divided among themselves. Divisions may be caused by sectorial, geographical, political factors.

This study also explains the cultural-ideological variations in each country and claims that these variations have material sources. Turkish Islamist leaders adopted the moderate view of Islam, while Algerians adopted the violent view of Islam. I argue that in Islam, like other religions, both moderate and fundamentalist interpretations can be found. Leaders adopt one view versus another according to divergent interests of constituencies.

The study is both methodologically collectivist and individualistic. I use the macro conditions to explain preferences of individuals. Economic reforms and internationalization affect and change individual preferences, and create losers and winners in the economy. In Turkey, the reforms and internationalization created new exporting business elite.

The study is methodologically individualistic to explain why some Islamists are liberal and some statist, why some Islamists overcome the collective action problem in order to pursue violent strategies, such as Algerian Islamists, while others cannot, such as Turkish Islamists. I assume that neither Islamists nor regimes want to use violence unless necessary. Therefore, we need to analyze the composition of the Islamists and their options given their positions in the economy and society and the level of repression by regime.

The outline of a specific set of questions to be addressed in the study

The study is organized to answer three sets of questions to answer the puzzles mentioned in introduction: the result of economic reforms, state oppression, and Islamist response.

Stage one: Results of economic reforms: In this stage the following questions regarding economic policies and development are addressed. What led the state to choose economic reform? What was the coalition structure in the countries before reforms? What is the nature of economic reforms? Why did the reformers choose particular policies? Who lost and won during and after the reforms and why? How did reforms change coalitions? Why did Algerian Islamists fail to benefit from reforms? Why did Turkish Islamists benefit from reforms? How did the reforms shape the

economic view of the Islamists and other groups? Did ideology play a role? Which ways did the reforms contribute to the rise of Islamist parties?

Stage two: State oppression: The second stage examines the policies of the state and its repressive organizations. Why did the military decide to oppress? What was the role of military as an interest group? Did alignments among interest groups cause the oppression, and, if so, how? Why do we get moderate politicians such as Benjedid in Algeria and Ciller in Turkey vs. hardliners especially in the military? To what extent did ideology or culture (secular vs. Islamist) play roles in oppression?

Stage three: Islamist Response: The third state analyzes the responses of Islamist groups. Why did radicals outweigh the moderates among the Islamists in Algeria? Why did Islamists not radicalize in Turkey? How did the Algerian Islamists solve the collective action problem and turn to violence? Why could Turkish Islamists not solve the collective action problem? What role did the Islamist bourgeoisie play in the decision of not turning violence in Turkey?

Hypotheses

Stage one:

Countries that had debt crisis do not necessarily adopt structural adjustment programs. Leaders often delay reforms to avoid the negative social and political consequences as long as possible. The occurrence of debt crisis therefore is necessary but not sufficient condition to pursue economic reform. Debt crisis with the pressure of International lenders such as IMF and World Bank or domestic groups lead to adoption of economic reforms. Reforms without a comprehensive structural adjustment package can be adopted to save the incumbent leaders but often make the economic situation worse in the long run. Countries that adopt structural adjustment package may later reverse the reforms for domestic considerations.

Economic reforms change the interest structure of the society. This may occur in several ways such as cutting subsidies, promotions as well as other policies. The beneficiaries of changing trade exposure attempt to maintain or accelerate the change such as Islamist bourgeoisie that benefits from liberalization, whereas the victims attempt to prevent or reverse the change such as Turkish traditional bourgeoisie, workers in state enterprises and non-union sectors (Rogowski, 1989: 4).

If Islamists are included in the winning coalition need to carry out of reform, they often benefit from reforms. The initial difference between Algeria and Turkey is that the Algerian government did not need to include Islamists to create a winning coalition for reform as oppose to Turkish government which required such an alliance. If Islamists are benefiting from reforms, they support liberal economic policies. If they are losing, they support statist policies that provide material benefits.

Stage two

Actors "who enjoy a sudden increase in wealth or income thereby will be able to exercise expanded political influence (Rogowski, 1989: 4). This includes the Islamist bourgeoisie of Turkey. The military intervenes if rising Islamists threaten the military's and its alliances' material interests. If the military allies itself with losing groups, it intervenes to reverse the changes taken during reform. Some politicians are moderate if they get support from rising groups. The material -not the ideological considerations- determines the intervention.

Stage three

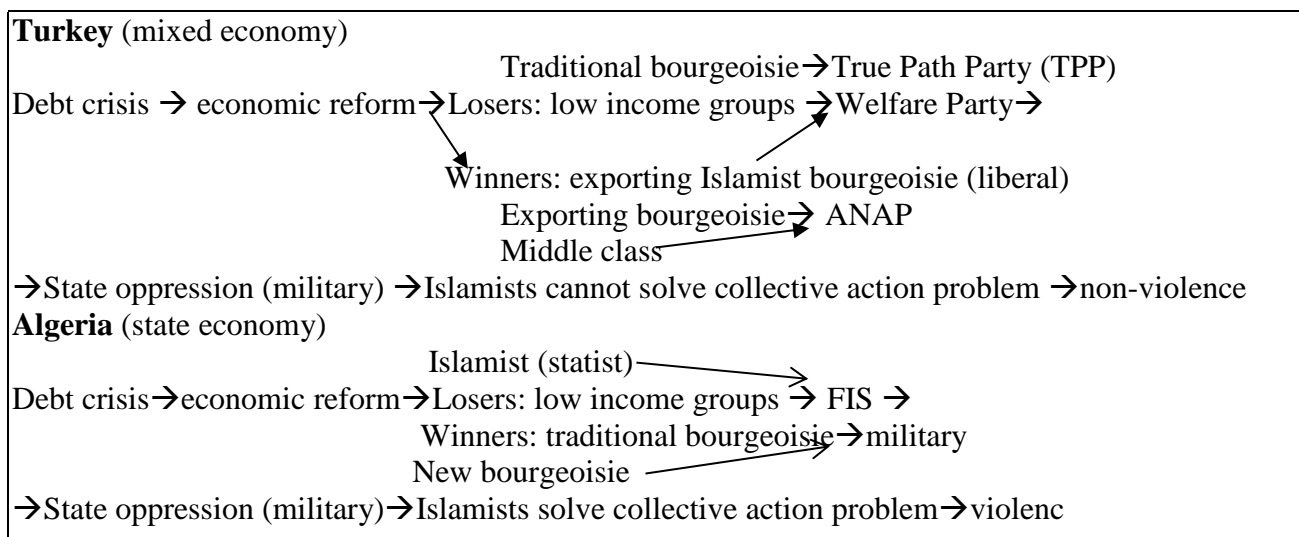
As the wealth of those with "a particular political preference increases, the likelihood grows that political entrepreneurs will devise means for overcoming obstacles to collective action (Rogowski, 1989: 5). The military in Algeria and Turkey solved the collective action problem among ruling elite. As seen in the coalition of the True Path Party (TPP) and the Welfare party in 1996, the center right parties were ready to include Islamists, but the military was not. However, Turkish Islamists were not able to solve the collective action problem against the military in terms of using violence because of the substantial investment Islamists in the society. Algerian Islamists who were the unemployed, frustrated but educated urban youth and had little investment in the domestic economy solved the collective action problem easily.

Islamist movements radicalize when they face oppression if two conditions present. First, if the losers comprise the majority of Islamists, the radicals among them outweigh the moderates. Second, if Islamists are unified in terms of their economic and social circumstances, they solve the collective action problem and turn violence. On the contrary, if they are diverse among the classes, ranging from bourgeoisie to workers, they cannot solve the collective action problems and stay moderate.

Causal mechanism

In this section I propose a causal mechanism which tries to explain the behavior of Islamic movements in the Middle East. (See figure 1 and table 1). Turkey and Algeria show important similarities prior to economic reforms. Both states played regulatory and distributive roles in the economy. They have created rents and decided which producer groups would benefit from the regulations. Moreover, the states have distributed sources either through subsidies or through a vast public sector that provided employment. Although Algeria was a socialist economy, a dynamic private sector has emerged and flourished under the protection of the state as in Turkey.

Figure 1. Causal mechanisms



Both Turkey and Algeria have experienced debt crisis in late 1970s and early 1980s. In Algeria, during the 1980s, the president Chadli Benjedid carried out a series of economic reforms that were designed to change the economy from the statist policies that have characterized the period since independence (Bennoune 1988: 262). Statism refers to a system in which the state plays a dominant role in the organization and direction of the economy. The Algerian government had to cut subsidies that caused the 1988 riots. In addition, economic liberalization increased the financial and political corruption.

The benefits created by opening went to regime supporters. Islamists were excluded from receiving a rent and suffered from the reforms. This point constitutes the main difference between Turkey and Algeria. During the political liberalization, the losers, such as the small business sector, low-level bureaucrats, public sector employees, and the educated segment of the population voted for Islamic Salvation Front (FIS). The FIS was the leading Islamist party of Algeria (Chibber, 1996: 127).

In Turkey, reform-minded the Motherland Party (MP) promoted export-led growth and decreased tariffs. The reforms increased export oriented manufacturing but, on the other hand, the export subsidies fostered rent-seeking behavior. The new business elite emerged and benefited from reforms, as did the old business elite. The new business elite included Islamists that have supported economic reforms. The Islamist business elite became stronger because of its ties to the Özal Gov-

ernment. Turgut Özal was the head of the Motherland Party (MP) that ruled Turkey between 1983 and 1991.

Table 1 – The relations between economic reforms and the behavior of Islamic movements in the Middle East

	Type of economy	Crisis	Reform	Islamist after reforms	Islamists view of economy	State behavior	Collective action	Islamists behavior	Regime change
Turkey	Mixed	Yes	Yes	Mixed	Liberal	Oppress	Can't overcome	Moderate	No
Algeria	State	Yes	Yes	Losers	Statist	Oppress	Overcome	Violent	Civil war
Jordan	Mixed	Yes	Yes	Winners	Liberal	Not oppress	Not issue	Moderate	No
Egypt	Mixed	Yes	Yes	Mixed	Liberal	Oppress	Can't overcome	Moderate	No
Iran pre-1980	Mixed	Yes	No	Losers	Mixed	Oppress	Overcome	Violent	Yes

At the same time, Özal could not control the state altogether. The president of military background and older governmental institutions such as the Constitutional Court repeatedly challenged his policies. In response, Özal chose to create out-of-budget funds and the contracted personnel to implement his orthodox policies. He also had to subsidize his voter coalition to stay in power. But these subsidies caused high inflation and, eventually the center-right coalition collapsed. Electorates who used to support the MP either chose the Islamist Welfare Party (WP) or the more statist True Path Party (TPP).

Why did the Turkish military suppress the Islamists? The answer lies in the military's close relations with traditional private sector. The military is one of the biggest economic entrepreneurs in Turkish economy. During the reform years, the military also benefited from economic growth. However, the relative gain of Islamist businesses outweighed those of military and traditional business. When the Islamist party came to power, the Islamist business had access to rent especially in privatization decisions. Since the military had close interest with traditional business, they had to make a coalition with traditional business interests against rising Islamist capital from Anatolia. In Algeria, the bourgeoisie was closely linked to conservative elements within the government, the party and the army (Bennoune, 1988: 268). If the Islamists had been allowed to come to power, the interests of conservative elements and bourgeoisie would have been damaged seriously.

When faced the oppression, the Islamists in Turkey and Algeria responded differently. As mentioned above, Islamists of Algeria were among the losers, while Turkish Islamists comprised both losers and winners. Therefore the leaders of Islamists in Turkey would not solve the collective action problem against the regime. The rising Islamist bourgeoisie is especially important in Turkey. They have invested in the economy and had too much to lose compared to Algerians. In contrast, Algerian Islamists, economically disenfranchised, did not include the Islamist bourgeoisie; therefore it was easier for them to solve the collective action problem and to turn violence.

Case selection and Methodology

Cases are drawn from Middle East countries that have these characteristics: Established state, Islamists-secular dichotomy, seculars in power, Islamists in opposition, Islamists who are not incorporated to the regime, economic/debt crisis, and economic reforms during the 1980s. Potential cases this model explains are Turkey, Egypt, Jordan, Algeria, Tunisia, and Morocco. Some Middle East-

ern countries are out of the scope of this study: The first group is the Gulf oil states where Islam is incorporated into the regimes and secular-Islamist dichotomy is absent.

In the second group of countries, Islam is already in power: Sudan, Iran after the revolution. Iraq never had economic reforms, but instead tried to solve the debt problems by invasion of Kuwait. Afghanistan is struggling to rebuild its state.

Due to time constraint, I look at four cases: Turkey, Algeria, Jordan, and Egypt. I analyze the Turkish case in depth and use secondary sources for Algeria. Since I am using Jordan and Egypt for control reasons, I do not look at them in as much depth as Algeria and Turkey.

Methodology

I apply Mill’s method of agreement and method of difference to eliminate rival hypotheses and use process tracing to explain the three stages of causal mechanism from debt crisis to the outcome of violence or non-violence.

Eliminating Alternative Explanations

Regime Type

I eliminate the variable of regime type by looking at different regime types but the same outcome: Regime type does not explain whether Islamists are liberal in economic sense or not because they are liberals in Turkey, a democratic country, and in Egypt, an authoritarian country. The Islamists are statist in Algeria that is also authoritarian.

Since both democratic and authoritarian regimes oppressed Islamists, regime type does not matter. I eliminate the variable of regime type by looking at different regime types: Turkey, Algeria, Egypt all oppressed Islamist groups but all have different regimes.

Table 2 – Regime type and economic view of Islamists

Regime type	Liberal	Statist
Democracy	Turkey after 1980	Turkey before 1980
Authoritarian	Egypt, Jordan	Algeria

Table 3 – Regime type and regime oppression

Regime type	Oppression	Non-oppression
Democracy	Turkey,	
Authoritarian	Egypt, Algeria	Jordan

Turkey and Algeria have different regimes and different outcomes in terms of violence. I eliminate this alternative explanation by looking at two authoritarian regimes: Algeria and Egypt. Algerians turned to violence, while Egyptians did not turn to violence except a small group called Gamma’at.

Table 4 - Regime type and behavior of Islamists

Regime type	Violence	Non-violence
Democracy		Turkey
Authoritarian	Algeria, Iran	Egypt, Morocco, Tunisia

Religion

I control religion in all cases because all are Islamic. Whether the state has a secular tradition and the existence of dichotomy of Islamist- secular in society matters. One may argue that the interpretation of Islam may be different in each country and therefore, the different interpretations of Islam may matter. I argue that the leaders of Islamist movements adopted different interpretations of Islam according to their material interests.

Historical Legacy

One may also claim that Algerians, in contrast to the Turks, came from a violent tradition because they had fought revolutionary war of independence against French between 1954 and 1962. This claim cannot explain the violence in Algeria because the individuals who involved civil war were not the old generation who participated the war, but the new generation that was born after the independence. On the other hand, Turks have also fought the war of independence and suffered approximate thirty thousand deaths due to the campaign against the PKK since 1984. Many have also died in civil disorders prior to 1980.

Conclusion

This study attempts to answer this very important puzzle of why some Islamists turn to violence when they face state oppression while others continue struggling peacefully. By comparing two countries, Turkey and Algeria, I argue that Islamists are rational calculating actors and their position in the economy determines their behavior. If the Islamists, especially bourgeoisie, are included in economic reform process and benefits from economic reforms, they tend to support liberal economic policies. On the other hand, if they are excluded from economic reform process and they do not benefit from economic reform process they support statist policies. Islamist movements turn to violence when faced state oppression if two conditions are met. First, majority of Islamists are among the losers of the reform process, and second the Islamists solve the collective action problem because of their similar socio-economic background. In the Turkish case although they are losers from economic reform process, Islamists bourgeoisie was among the winners and Islamists in Turkey ranged from very poor to very rich. Therefore, when they faced state oppression, they remained moderate. In the Algerian case, Islamists were excluded from economic reform process and they were among losers. When they faced state oppression, it was easy to solve collective action problem and struggled with violent means. The existence of Islamist bourgeoisie causes moderation.

This study rejects cultural explanations about Islamist behavior. Especially after September 11, 2001, there was common conception that Islamist movements are inherently violent. This study shows that the reality is not that simple and variations occur. Therefore, regardless of the nature of regime, if any major homogenous groups such as Islamists are excluded from economic and power sharing, this causes problem for the state and society.

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