

On Arab political capitalism(s)¹

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1. Introduction: Moving Beyond Culturalist Pitfalls in the Analysis of Arab Capitalisms

This article examines political capitalism in the Arab world, with “Arab” countries defined as those that belong to the Arab League. There is no clear consensus in the economic literature regarding what constitutes “Arab economies,” as evidenced by the varying definitions of the Arab region centered around the Middle East and North Africa. Some include Iran, Turkey, or, at times, even Pakistan or Afghanistan. A persistent narrative divides the Arab countries according to sectarian criteria (e.g., Sunni vs. Shia), or more broadly along religious lines, as if Islam was the primary, or even exclusive, explanatory key to the region’s economic forms. This orientalist perspective is, however, insufficient and even reductive. As Ibn Khaldun’s work illustrates, Arab identity is not reducible to Islam. In his *Muqaddima* (1402), the central distinction is not religious but socio-economic: between nomadic and sedentary peoples, between mobile and urban ways of life. It is social organization and modes of satisfying material needs—not religious affiliation—that form the basis of differentiation. Maxime Rodinson (1979) similarly distances religion from the definition of “Arabness”. He warns against three “false criteria”: religion, civilization – according to him, a vague and ideologically loaded concept -, and race. Instead, he proposes a definition based on three components: the use of Arabic as a natural or cultural language, integration into a shared cultural and historical heritage, and self-identification as Arab. Following this logic, the present study adopts a criterion of political self-identification: the Arab world includes the member states of the Arab League, which themselves recognize and define as “Arab.” This definition outlines a geopolitical space extending from the Atlantic coast of North Africa (Morocco, Mauritania) to the eastern borders of the Gulf (Iraq, Yemen), while excluding non-Arab but neighboring countries such as Turkey, Iran, or Israel.

Nonetheless, the contemporary literature on the Arab economies tends to take a perspective in which religion and culture are primary explanatory factors (Kuran 2011, Rubin 2017). Our approach does not involve that we do not consider as important for economists the role of culture and religion. But there is a difference between conceiving culture and religion through the prism of beliefs; and examining the impact of religious political structures on the political economy of certain Middle Eastern countries.

The first case does not lead to clear and unanimously accepted results. While Rubin et al. (2024) demonstrate that religion matters for growth, Noland's work (2005) has found that this is not the case, and Barro and McCleary (2003)'s seminal contribution insisted that we need to identify what we mean by religious factors: beliefs or practices? Moreover, religious factors are, from an econometric point of view, not very robust (Durlauf et al. 2011). It is particularly difficult to

¹ This chapter has benefited from comments by Stergios Skaperdas, Martin Paldam, Branko Milanovic, Miklos Rostas, Mehrdad Vahabi. Any remaining errors are obviously mine.

dissociate religious factors from other explanatory variables, unless there is a risk of spurious correlation and endogeneity problems. When we try to avoid these two problems, religious and cultural factors are not selected as growth-determining variables, unlike colonization (Parent and Zouache 2012). In the second case, religion does matter in institutional dynamics because religion, culture, or cultural identities are mobilized for political purposes: this echoes Ibn Khaldun's analysis where religion serves as a factor of political unification, rather than as the essence of Arab identity. Thus, in Lebanon, the confessional system is used to share political and economic power (Diss and Zouache 2015). In Iran, groups, or confessions, or even parties or militias who presents themselves as religious, or as defending a religious order, shape social, economic and political relationships. Vahabi (2023) demonstrates that Anfal, an islamic institution plays a key point in Iran's political economic system and proposes the concept of Shiite political capitalism. It seems to me that this is more specific to Iran or Erdogan's Turkey, where religion plays a major role in political and economic affairs, than to the Arab world where, as we shall see, the confessional system is just one form of political and economic organization among others, and not a specificity of the Arab region where, besides, the influence of religion in the political power structure is a historical legacy, either colonial as in Lebanon (Diss and Zouache 2015), or recent as a result of the conflicts and wars that have affected Syria, Lebanon, and Iraq (Parent and Zouache 2025).

In addition, both literatures often suffer from an "Ottoman and Persian bias", as in Kuran (2011). Most works consider the MENA (Middle East and North Africa) region as a sample, with Turkey and Iran as key countries, and they are given the size of their economy and population. This overlooks the fact that the colonial legacy in the Arab world includes the Ottoman colonial legacy (Corm 2014), and also, perhaps even more importantly, that Turkey was not colonized. Moreover, these works often take a very long-term view, and imply that medieval Islamic legacies could explain contemporary economic and political dynamics. However, if we focus on the Arab world, we can also postulate that contemporary political dynamics depend on the European colonial presence of the nineteenth and twentieth centuries, mainly English and French, and that this presence has strongly impregnated political, institutional and legal foundations in the Arab world (Zouache 2017).

In what ways can we say that the economies of the Arab world should be analyzed within the framework of political capitalism rather than market capitalism? And how can we say that there is a specific approach to analyzing them? What theoretical tools should be used to highlight this specificity? These are the questions addressed in this chapter, questions which, to our knowledge, have not been dealt with in the literature, particularly from a global perspective encompassing all Arab countries, and without assuming that they must be reduced to religion. Another contribution of the chapter is to show why a traditional approach based on Holcombe's political capitalism is not sufficient in itself and that it is essential to go beyond it by incorporating elements of reflection found, for example, in Milanovic (2019), elements that need to be contextualized in the Arab world. What are the sources of the institutional dynamics of political capitalism in the Arab world that have been "neglected"? In this chapter, I am referring to colonization and socialism, which have also contributed historically to forging mentalities that converge towards forms of political capitalism specific to the Arab world, that distances Arab countries from market capitalism. Our analysis does not reject the commonalities between Arab capitalisms, as we will see in section 2, but shows that there are varieties of political capitalism shaped by combinations of rentierism, patrimonialism, clientelism, colonial and socialist legacies. Then, the chapter does not offer another statistical classification of political economy systems in the Arab world. Among those available, readers may refer to the work of V-Dem. Instead, it offers something that, to our knowledge, has never

been proposed before²: a reflection on what could be identified as forms of political capitalism in a region viewed as a whole, and that is often understudied in the literature and in economic journals, namely the Arab world. There lies the third contribution of this chapter, namely that the varieties of Arab capitalism, and their intersections, constitute an extremely powerful force for the absence of change, and above all for the absence of a transition to market capitalism.

The chapter is structured as follows. The second section will show that, while adaptations are necessary to account for regional specificities—such as the historical legacy of postcolonial state-building, the role of military institutions, or the prevalence of neo-patrimonial structures—Holcombe’s theory of political capitalism offers a coherent and robust framework for understanding the intersection of economic and political power in the Arab world. Yet, that framework should also be enriched by the specific political economy literature on the Arab world. The third section contributes in showing that an appropriate analysis of political capitalism in the Arab world should consider his contemporary history, in particular the European colonialism and the socialist paths that key Arab countries have adopted. Given these literatures, we will be able in the fourth section to build a classification of Arab capitalisms, and we will see then how countries are both identical in certain features, but also very different. The last section concludes in opening the discussion towards how a reversal of fortune in the Arab countries could not happen without a change in mentalities.

2. Political Capitalism in the Arab World

Is the dominant form of capitalism in the Arab world competitive market capitalism or political capitalism? The literature tends to show that the Arab world can be understood through the concept of political capitalism, when combined with literature specific to this region.

In its ideal form, capitalism refers to market capitalism, or what Milton Friedman called competitive capitalism (Friedman 1962), namely the organization of the economic system around private enterprise operating in a free market, seen as a system of economic freedom and a necessary condition for political freedom. In this ideal vision, the government is dedicated to economic and political freedom and his main concern should be that the market organizes economic activity (Friedman, 1962 [2002]: p. 4). Based on the major contribution of Holcombe (2015), politics takes on a new meaning: it is not at the service of market dynamics, with free entry and free enterprise, but at the service of the reproduction of economic elites who seek to strengthen their dominant position, even if this is at the expense of economic efficiency, innovation, and democratic representation. Drawing from the work of Olson (1960) regarding small and large groups, of concentrated interests against large number dispersed interests, and transaction cost theory³, Holcombe (2015) suggests an explanation of why elites enjoy privileged access to political power while the masses are largely excluded. Holcombe distinguishes between a small group of individuals facing low transaction costs (the elites), and the general population, for whom the high costs of political participation render them largely powerless. The elites form a small, well-informed, and well-connected group capable of negotiation, lobbying, and favor exchange (logrolling, campaign contributions, legislative threats). The masses, by contrast, face high entry costs (disinformation, dispersion, political passivity), remaining “rationally ignorant”. This dynamic produces a structural rift between democratic institutions and market logics, replacing voluntary exchange with asymmetrical

² See Hertog (2016) for a first questioning on Arab capitalism.

³ Olson has rejected Coase’s theorem (1960) especially Political Coase Theorem in his latest works (Vahabi 2011).

power relations. Holcombe defines political capitalism as a system in which economic and political elites cooperate over time to preserve their positions. This cooperation is not ad hoc—it shapes economic rules in a sustained manner to protect elite privileges, making it a structured system rather than an anomaly. This overturns the logic of market capitalism: the state no longer acts as a neutral arbiter correcting market failures, but becomes a tool of an economic project serving elite interests.

Political legitimacy is very specific in the Arab world; and only on very rare occasions does it raise the question of political representation. In this light, the Arab world presents a compelling case of political capitalism—albeit in a configuration marked by authoritarian governance, limited political pluralism, and the predominance of coercive state institutions. Nevertheless, the central features of Holcombe’s model remain applicable: elite entrenchment, distorted resource allocation, institutional stability, and an economy organized around rent extraction rather than innovation or productivity. The political economy literature concerning MENA (Middle East and North Africa) countries also confirms that political capitalism is the dominant form of capitalism in this region. Three key concepts dominate this body of work: the rentier state, crony capitalism, and neo-patrimonialism.

The concept of the rentier state, as formalized by Mahdavy (1970) and Beblawi (1987), refers to a type of political and economic organization in which the state derives the bulk of its income from external sources—primarily hydrocarbons in the Arab world, but also international aid, Suez Canal revenues, diaspora remittances, or transit fees. In this context, the economy relies less on production than on the capture and redistribution of rents. This economic model gives rise to a specific political configuration: the state becomes the primary distributor of wealth, ensuring social peace through resource allocation—public sector jobs, subsidies, social aid—instead of establishing a social contract based on political representation. Because there is little or no taxation (“no taxation without representation”), citizen pressure for democratic reforms remains weak. This framework also enables the analysis of so-called *predatory welfare states*, in which social policies serve not to redistribute wealth or promote justice, but to domesticate specific social groups and reinforce hierarchical state control (Vahabi 2020). This dynamic is particularly characteristic of many Arab states (Eibl 2020).

The economic effects of rentierism are equally significant: low diversification, increased speculation (particularly in real estate and finance), and underinvestment in productive sectors. Oil rents generate “secondary rents” via financial bubbles fueled by abundant liquidity. In this context, Islamic finance—which prohibits interest (*riba*) and promotes risk-sharing—has developed as both a religious and economic response, structuring products that are compatible with rentier constraints. Thus, the rentier model fosters temporary political stability, but one that remains vulnerable: when rents fall of, the socio-political foundations of the regime are weakened, exposing the system to potential crises. Moreover, the concentration of rents in the hands of the state increases its autonomy from civil society and encourages clientelist dynamics and informal power.

Neo-patrimonialism refers to a mode of governance in which political authority is based on personal and informal networks rather than impersonal, bureaucratic institutions. According to Eisenstadt (1973), Pawelka (1985, 2002), this type of regime relies on two pillars: personalization (power centralized around a single leader) and informality (governance through loyalty-based rather than competence-based ties). In the Arab world, this political configuration manifests as a hierarchical organization in which elite positions are determined by proximity to central power, not merit. Leaders distribute resources—licenses, contracts, jobs—based on

loyalty, creating a system of generalized dependence. This mode of governance is intrinsically linked to crony capitalism, in which economic opportunities are reserved for actors close to power, resulting in an elite-captured economy.

The link between neo-patrimonialism and cronyism can be explained with the work of Ibn Khaldun. In the *Muqaddimah*, the Maghrebi thinker describes a patrimonial system structured around a central authority—*el-Beyt*—and its allies (clients), where power is legitimized through *‘aṣabiyya*. The word *‘aṣabiyya* comes from the Arabic root *‘aṣaba* (to bind, to attach, to unite). It refers to group solidarity, social cohesion, and the shared sense of loyalty that unites the members of a community. For Ibn Khaldūn, it is the vital force that enables a tribe, clan, or human group to act collectively, defend its interests, and, above all, conquer and establish political power. *‘Aṣabiyya* arises first from blood ties (family, clan, tribe). But Ibn Khaldūn notes that it can also be extended through alliances, religion, or social pacts. It gives a group the ability to defend itself, assert itself over others, and seize power. A tribe strong in *‘aṣabiyya* conquers power and establishes a dynasty. Over time, comfort and sedentarization weaken this cohesion. The political structure then declines until it is overthrown by a new, more united group. *‘Aṣabiyya* is therefore the driving force behind the cycle of rise and fall of civilizations. The legitimacy given by *‘aṣabiyya*, both moral and historical, is grounded in virtues such as solidarity, simplicity, and resilience—traits typical of Bedouin societies. In this light, contemporary Arab regimes—whether monarchies or highly personalized presidential republics—reproduce this ancestral pattern: Political values such as loyalty, allegiance to the clan, and patronage relationships matter more than market values in the political capitalism of the Arab world.

3. The ‘Missing Links’: Colonial and Socialist Legacies in the formation of Political Capitalism in the Arab World

In this section, I recall these institutional legacies, which have had an impact on the political dynamics of capitalism formation in the Arab world, for while there is no longer a socialist model in the area today, except perhaps in Algeria. The socialist model implies a sovereign nation-state model, with the weight of the state in all sectors, whether market or non-market, and, in theory, an equitable distribution of public goods and services. This model has collapsed in most Arab countries, often as a result of public-sector financing problems, as in Egypt, or conflicts and civil wars, as in Algeria, Iraq and Syria (Parent and Zouache 2025). Recalling this socialist heritage is also crucial because it concerns large countries in terms of population, namely Egypt, Algeria and Iraq, and has affected all Arab geographical sub-zones. This socialist legacy is often intertwined with the colonial legacy, as it was an economic and political model adopted to guarantee economic and political independence. In the post-colonial period, the army or military and political groups that played a crucial role in the independence process have become major institutional players in ensuring this economic and political sovereignty, and have, for the most part, attempted to structure modes of production and exchange with this objective in mind, notably by nationalizing and reforming property rights.

3.1. Socialist legacies in Arab countries

Branko Milanovic (2019) has proposed another dimension of political capitalism that must take into account the socialist legacy, particularly in order to understand Chinese capitalism. “Political capitalism,” as defined by Branko Milanovic (2019), refers to a system in which production and exchange are largely based on the market and private property, but where political power remains monopolized by a single party or an authoritarian elite. This model,

embodied in particular by China, combines a strong, centralized state capable of directing investment and ensuring rapid growth with political legitimacy based on economic performance rather than representative democracy. It is characterized by close ties between economic and political elites, generating both efficiency in the mobilization of resources and structural risks of corruption and collusion.

The socialist legacy in the Arab world, from this perspective, should not be underestimated. Arab socialism emerged in the 20th century as a political and economic response to colonialism, seeking to strengthen national sovereignty and popular unity, notably under the impetus of Nasser in Egypt in the 1950s and 1960s (Ziegler, 2019) and Michel Aflaq's Baath Party, which from 1944 onwards sought to distinguish itself from doctrinaire Marxism by favoring an empirical and nationalist approach (Aflaq, 1944). Influenced by a variety of factors, including Islamism, which combined social justice with religious principles while constituting an ideological rival (Qutb, 1964), this movement rejected both colonial and feudal elites in favor of state centralization. Economically, this resulted in massive nationalizations (banks, industries, insurance companies), agrarian reforms, progressive taxation, and industrialization programs designed to guarantee economic independence (Owen, 1992). Although limited by the excessive weight of the state and certain political contradictions, Arab socialism profoundly shaped the political capitalism and development models of many Arab countries, while providing a framework for legitimizing their sovereignty. A key difference from Milanovic's political capitalism is the absence of legitimacy through economic performance: most Arab countries, particularly those that chose the socialist path to independence, have not experienced notable economic performance, quite the contrary (Parent and Zouache 2012).

Upon independence, in Arab countries with large populations and significant geographical weight (Egypt, Syria, Iraq, Algeria, Libya), massive nationalizations (banks, hydrocarbons, strategic industries) permanently established the state as a central player in the economy. These countries underwent significant agrarian reforms (Bertini and Zouache 2021): land redistribution and the establishment of cooperatives or self-management (Egypt, Syria, Algeria, Iraq, Libya, South Yemen) profoundly transformed the countryside and continue to influence land ownership structures and social relations. The legacy of Arab socialism can also be seen in the political organization: single parties (ASU in Egypt, Baath in Syria and Iraq, FLN in Algeria, SSU in Sudan, YSP in South Yemen) used as tools of social control and legitimization of power, but also a way to control money creation and the financial system⁴. The idea of a redistributive welfare state, guaranteeing public jobs and subsidized services (bread, energy, health, education), remains a social and political norm in the region.

Due to space constraints, we will not go into detail or specifics—such as the case of Libya, where Gaddafi theorized an Islamized socialist “third way,” marked by the nationalization of oil, or the case of South Yemen, the only explicitly Marxist Arab experiment in the Arab world, with radical collectivization of land and industry—but we will cite a few notable experiences, focusing on the most populous countries. In Egypt, under Nasser, the state carried out massive nationalization (Suez, banks, industries) and redistributed land. Even today, the public sector and subsidies remain a pillar of social stability. In Algeria, independence was followed by a model of “self-management” and the nationalization of hydrocarbons in 1971. The state remains the central player today thanks to hydrocarbon revenues. In Syria, the Baath Party imposed a command economy in 1963 (nationalization, agrarian reform), which was reinforced under Hafez al-Assad. In Iraq, the Baath Party nationalized oil in 1972 and established a highly

⁴ See Zouache and Ilmane (2009) on Algeria and Zouache (2011) on Syria.

centralized authoritarian regime. The rentier and redistributive state remain a benchmark, even after 2003. The Arab socialist legacy is reflected in the enduring influence of the public sector, subsidies, agrarian redistribution as a political function, and the central role of the party-state⁵. This legacy remains particularly strong in Egypt, Syria, and Iraq, the most populous countries that have undergone the most structuring socialist experiments, but especially in Algeria, where economic planning, the public sector, and price and exchange controls remain the preferred means of economic coordination over market capitalism.

The interpretation of the socialist legacy does not seem to apply to the Gulf countries, which have never had socialist regimes. Nevertheless, the points of convergence between Arab socialism and the rentier states of the Gulf should not be underestimated: in both cases, the public sector plays a strong or predominant role in the organization of the economy, as already noted by Mahdavy (1970):

“The oil industry’s major contribution is that it enables the governments of the oil producing countries to embark on large public expenditure programmes without resorting to taxation and without running into drastic balance of payments or inflation problems that usually plague other developing nations. (...) This need not necessarily result in some kind of socialism, but may turn into what can be considered as a fortuitous *étatisme*. The government becomes an important -or even the dominant- factor in the economy.” (Mahdavy, 1970: p. 432).

The major difference is that when countries are hydrocarbon exporters, Kornai's budgetary constraint (Kornai 2000) is more flexible, allowing, in theory, the regime to survive more easily. When the country is both socialist and a producer and exporter of natural resources, the political regime can survive. The case of Algeria confirms this, but not that of Iraq, although perhaps for other reasons: Iraq found itself involved in costly conflicts and extraterritorial wars, whereas Algeria did not.

3.2. Colonial legacies in the Arab countries

Almost all Arab countries have experienced European colonization, with the exception of a few marginal cases or limited domination. There were three major colonizing powers: France, which was present in Algeria (1830-1962), Tunisia (1881-1956), Morocco (1912-1956), Syria and Lebanon under mandate (1920-1946/43), Djibouti (1884-1977), Comoros (1841-1975) and Mauritania (1904-1960); the United Kingdom, whose influence extended to Egypt (1882-1956), Sudan in condominium with Egypt (1899-1956), Palestine and Jordan under mandate (1917-1948 and 1921-1946), Iraq (1920-1932), the Arabian Peninsula (Bahrain, Qatar, Kuwait, Oman, the Emirates, South Yemen, from the late 19th to the 20th century); and finally Italy, which ruled Libya (1911-1943) and part of Somalia and insular Yemen. Previously, the region had been largely integrated into the Ottoman Empire, which ruled over most of the Arab provinces from the 16th century until World War I, i.e., for approximately three to four centuries, depending on the territory. The duration of European colonization varied from three to more than twelve decades (for example, 132 years in Algeria, 74 years in Tunisia, 44 years in Morocco, and 75 years in Bahrain), leaving a lasting mark on the political, social, and economic structures of contemporary Arab states.

⁵ The level of government subsidies of basic goods and services, including energy and food subsidies in the Arab region is one of the highest in the world (Naser Abdelkarim 2021) despite reforms (Vidican Auktor Georgeta and Marcus Loew 2021) that did not modify the social contracts in rentier states (Al-Saidi 2020).

In a previous article (Zouache 2017), I sought to highlight the importance of historical legacies—particularly colonial and socialist—in shaping political regimes and contemporary forms of political capitalism. The aim was not to reject the colonial hypothesis as framed by Acemoglu, Johnson, and Robinson (2001), which underscores the lasting impact of “extractive” institutions inherited from colonialism and mechanically reproduced over time. Rather, it was to move beyond this view: colonial institutions certainly introduced extractive mechanisms, but it was the active reproduction and reinterpretation of these mechanisms by postcolonial elites that consolidated authoritarian political trajectories and forms of capitalism structured by colonialism.

Several mechanisms transmitted colonial legacies into the political regimes and capitalist systems of Arab states. First, the transfer of colonial administrative and coercive structures: following independence, many Arab states adopted the bureaucratic, military, and judicial apparatuses constructed by colonial powers without substantial transformation. This fostered centralized, authoritarian, and often repressive forms of governance in which the state functioned as an instrument of domination rather than as a guarantor of a social contract. Second, a logic of resource capture rather than production: colonial economic structures based on the export of raw materials and rentier logics were maintained (Zouache 2012). The postcolonial state became the central economic actor, concentrating rents (from natural resources, foreign aid, or investment) and redistributing them through clientelist channels instead of promoting autonomous industrial development. In this analysis, I emphasized the internalization of colonial models by national elites.

Zouache (2017) illustrates this argument through two national case studies. In Algeria, the postcolonial state reproduced colonial domination under the guise of socialism. Planned industrialization, land and resource nationalization, and external trade controls produced a closed, state-directed economy in which capital accumulation remained largely dependent on political patronage. In Lebanon, the colonial institutional legacy crystallized into a segmented confessional system, where sectarian elites appropriated vast sectors of the economy (banking, real estate, commerce), capturing the regulatory functions of the state (Diss and Zouache 2015). This oligarchic capitalism rests on durable politico-economic pacts, often stabilized by rent flows (diaspora remittances, international aid, speculative capital).

To conclude this point: economic and political trajectories are profoundly shaped by historical patterns of institutional transmission, in which colonial legacy and the statist appropriation of the economy under socialism played a formative role. The resulting political capitalism cannot be understood without accounting for these historical strata. It emerges from a hybridization of colonial control mechanisms, authoritarian modes of governance rooted in postcolonial nationalism, and modern strategies of resource capture by private interest groups. This perspective thus reconnects the political economy of the Arab world to broader dynamics of domination, dependency, and elite reproduction.

4. Varieties of Political Capitalism in Arab Countries

This section⁶ confronts the characteristics of Arab countries with the theoretical frameworks outlined in the previous sections in order to suggest a categorization of political capitalism in the Arab countries. In a second step, we specify this categorization with data when they are

⁶ Due to lack of space, this section is very concise and is based on previous works (Zouache 2009, 2011, 2017; Bertini and Zouache 2021, Parent and Zouache 2012, 2025, Diss and Zouache 2015).

available. Our suggested taxonomy is not intended to be perfect, nor does it imply that market capitalism does not exist in the Arab world. Despite numerous market distortions, often in support of basic necessities whose prices are not set by the market, most Arab countries accept the market economy as their economic system. Nevertheless, forms of Arab capitalism are deeply marked by political variables, as seen in the previous section. We will not go back over the details and outline the main points. We distinguish several dimensions that can be used to categorize Arab countries. The type of political regime (absolute monarchy, constitutional monarchy, authoritarian republic, hybrid regime, confessional parliamentarianism), the institutional model (rentier, neo-patrimonial, crony capitalism, socialist, confessional), the rentier nature (hydrocarbons, tourism, finance, agriculture, remittances, international aid), but also the extent of informality (high or low depending on the formalization of the labor market and the scale of parallel circuits), and finally whether or not the state is confessional (central in Lebanon, Iraq, and Palestine).

This taxonomy highlights the diversity of Arab political capitalism, with certain characteristics predominating but also overlapping dimensions. We see rentier economies dominated by hydrocarbons (the Gulf, Algeria, Iraq), neo-patrimonial forms of capitalism where family or military power structures the economy (Egypt, Tunisia, Syria, Morocco), and confessional models (Lebanon, Iraq, Palestine) where institutional fragmentation blocks economic rationalization. Informality is omnipresent, especially in the Maghreb, Egypt, and the Levant, and constitutes a mechanism for social regulation and survival. Thus, far from a unified model, the Arab world presents a plurality of political capitalisms, articulated around rent, patrimonial control, and informality. We obtain the following taxonomy of Arab political capitalisms.

Firstly, *rentier capitalisms* as a model in which the state derives its income mainly from external rents (hydrocarbons, international aid, strategic channels). The economy relies less on production than on the distribution of resources, which underpins the regime's legitimacy. The dominant characteristics are the centrality of the state as a distributor of wealth, low tax pressure combined with low demand for political representation, dependence on global commodity prices, clientelism, and public employment as modes of redistribution. Prioritizing a measure based on hydrocarbons, the countries concerned are Algeria, Iraq, Libya, Saudi Arabia, the United Arab Emirates, Qatar, Kuwait, and Oman. Within this category, there are a few specific cases, with semi-rentier countries such as Jordan (international aid), Bahrain (finance and external dependence), and above all Egypt, which combines partial rentier capitalism (Suez, aid, remittances) with military capitalism.

Secondly, *neo-patrimonial capitalisms*: this mode of governance is based on personal and family networks, power is centralized around a leader or clan, and the distribution of resources (jobs, contracts, licenses) depends on loyalty rather than merit. The dominant characteristics are strong clientelist structures, an economy captured by those close to power (crony capitalism), and fragile, opaque institutions dominated by informality. The countries concerned are Egypt, marked by military and patrimonial capitalism (the army is a central economic player); Tunisia, with its family patrimonialism (families close to power); Morocco, with its centralizing *Makhzen*⁷ and collusion around the monarchy; and Syria during the era of Bashar Al Assad and his networks (a patrimonial, repressive, clientelist state).

⁷ The *Makhzen* refers to a centralized monarchical complex and opaque regime structured around the king and the royal court, which play a central role in appointing governors, shaping economic strategy, and redistributing land ownership in relation with local land owners (Perrier 2024).

Thirdly, *confessional capitalisms* in which economic and political structures are based on confessional communities (sects, religious clans), transforming the state into a battleground between confessional elites. The dominant characteristics are institutional fragmentation, confessional oligarchies appropriating economic sectors (finance, trade), and dependence on external income (diaspora, international aid). The countries concerned are Lebanon (Camille Habib 2009), marked by confessional and clientelist capitalism (banks, diaspora, real estate), and Iraq (Al-Rahim, Ahmed H. 2008), characterized by post-2003 confessional federalism and where oil revenues are controlled by militias/parties (Mathieu 2024).

Fourthly, *militarized or state capitalisms*, as a form of political capitalism where the army or coercive apparatus is the central actor in the economy, combining rent, direct and indirect control of strategic sectors⁸. The dominant characteristics are that the army is a major economic actor, the economy has undergone waves of nationalization, and there is little autonomous entrepreneurial dynamism. The economy may also be dependent on foreign aid and strategic rents. The countries concerned are Egypt, as the prototype of centralized, authoritarian military capitalism (Joya 2018); Algeria (Addi Laouari 1999), where the army is the guarantor of oil rents and companies in strategic sectors are public; and Syria under the Assads, which has vacillated between the socialism inherited from the Baath Party and liberal openings toward the urban bourgeoisie; a socialism that, from being a planning system, has become primarily a system of public employment (Almgarbel et al. 2024).

A fifth form could be described as *political capitalisms in permanent conflict*, with economic systems marked by a combination of rentier, patrimonial, and colonial features, without any real stabilization of a model. The dominant characteristics are weak or contested institutions, a survival economy with extreme informality, and external influence (aid, international interventions). The countries concerned are Palestine, with its almost total dependence on aid and lack of a consolidated state, Yemen, Somalia, and Sudan, as cases of fragility and extreme informality.

This categorization is summarized in table 1, which takes empirical data as reference models, when available.

5. Concluding remarks: is a reversal conceivable?

Our chapter allows us to reflect on the relative positions of market capitalism and political capitalism in the Arab world, and to put forward some hypotheses about a possible transition to market capitalism. Could Arab political capitalisms evolve toward market capitalism? I would like to suggest two points for consideration.

My first point is related to the historical legacies. Market capitalism never really took hold in the region, as Arab world historian Roger Owen (1981) clearly shows. Firstly, it should be remembered that the Arab world has not integrated into globalization. Historians have shown that capitalism did not take root in the Middle East (Owen 1981), particularly under Ottoman rule. According to Roger Owen's analysis, Middle Eastern countries did not integrate into the globalization that resulted from mercantile and industrial capitalism because their political and economic structures proved too fragile in the face of European penetration. The reforms carried

⁸ Direct control refers to the military directing, possessing and/or controlling private or public companies, as in Egypt. Indirect control refers to the military, especially military security, controlling access to positions of political and economic responsibility, as in Algeria (Addi 1999). In both cases, senior military officers may have access to ministerial or presidential positions.

out in the 19th century, which were supposed to strengthen independence (such as those of Selim III in present-day Turkey or Muhammad Ali in Egypt), actually facilitated the opening up of the region to foreign interests. Weakened by debt and dependence on European bankers, states gradually lost their sovereignty, particularly with the administration of Ottoman public debt and the British occupation of Egypt. At the same time, trade and agricultural production were reorganized around export crops for the benefit of foreign elites and intermediaries, marginalizing crafts and preventing the development of modern local industry. As a result, the region was integrated not as a dynamic center of global capitalism, but as a dependent periphery, devoted to the export of raw materials and the transfer of economic surpluses to Europe. In the Arab world, this center-periphery model persisted after European decolonization, as popularized by Egyptian economist Samir Amin (1974). It seems to me that this model is still relevant today: Arab countries remain on the periphery of developed countries, the region has disappointing performance in the globalization process (Alonso-Gamo 1997) and weak intra-regional economic ties, far from their potential given the common cultural and historical heritage of the Arab countries (Ebaidalla M. Ebaidalla 2023; Ebaidalla, E. M., and Ali, M. E. M. 2022).

Our classification allows us to understand that Arab capitalisms are historically situated, products of the articulation between colonial legacies, socialist experiences, and contemporary rentier dynamics, rather than the result of a deficient market capitalism.

My second point is related to Weber's analysis which clearly shows that a key condition for a transition from political capitalism to market capitalism, or in other words, in our case for a reversal of fortune, is a change in mentality. By mentalities, I am not referring here directly to a matrix of ethical values, to the rational ethos of conduct in life, to rational thinking, or to the specific idea of work as a duty emphasized by Max Weber (1904, 1922). It is well known that Weber (1904) showed that the transition to market capitalism requires the adoption of a certain ethic, which he calls rational. It should be remembered that in Weber's analysis of capitalism, this ethic is the result of a mentality, a relationship to the world, in this case a relationship to work, which is grouped under the term *Beruf* (Weber 1922), this mentality being determined by religious practices and beliefs. In this chapter, we do not directly revisit Weber's conception, but we do consider the role of mentalities to be essential in understanding the potential evolution of patrimonial capitalism in the Arab world.

We define the term mentalities as an institutional matrix of behaviors, ways of thinking, and specific visions, as a set of informal and formal rules that govern decision-making, particularly in terms of public policy and development strategy, and that are inherited from history. This definition is inspired by the work of institutional economists, both old - John Roger Commons (1931) and Thorstein Veblen (1898a,b, 1914) - and new - Douglass North (1991, 1994, 2005)-, who share a vision in which institutions not only represent constraints on individual action, but are also a way of thinking and behaving, a system of beliefs, such that institutions shape individuals' preferences and values. Commons and Veblen propose a different conception of the behavior of economic agents: they act in a customary, habitual manner and tend to reproduce past behaviors. Furthermore, economic agents act according to their instincts, which are also inherited from a process of reproduction in the past. Institutions are therefore not just property rights or legal rules, but ways of thinking that are passed down over time, that take the form of habits, and ultimately transform into skills and the ability to react. Furthermore, these ways of

thinking, habits, and ultimately this ability to act and react to the environment are not only individual but also collective in nature⁹.

The contribution of new institutionalists to our definition of mentalities comes through Douglas North's (2005) concept of mental schemes, which suggests that individuals' beliefs and ideologies are determined by mental models (Denzau and North, 1994) inherited from the past, which condition both their vision of the world and their learning process. This explains why ideology, and the social norms it underpins, take a relatively long time to evolve within a society. Changes in the institutional environment are also constrained by formal institutions inherited from the past and by existing organizations that have benefited from its development and find it advantageous to preserve the current institutional order (North, 2005, p. 157). In particular, the deeply sticky nature of formal and informal institutions (including ideology) can block mechanisms of institutional change that appear beneficial to society as a whole, leading to the persistence of suboptimal institutional arrangements in the long term (North, 1991, 1994).

Given this framework, I would not hypothesize a transition towards market capitalism in the Arab world because political capitalism is more of a force that blocks the transition to market capitalism and that, given the shifting and intersecting varieties of Arab capitalism that cumulatively reinforce their logics. Indeed, the typology proposed in our chapter highlights that the Arab world is not defined by a single form of capitalism, but by a plurality of political capitalisms. Rentier capitalism dominates (Gulf, Algeria, Iraq). Neo-patrimonial capitalism structures authoritarian republics (Egypt, Syria, Tunisia, Morocco). Confessional capitalism prevails in the Levant (Lebanon, Iraq, Palestine). Militarized capitalism is specific to Egypt and Algeria. Finally, some countries experience fragile forms of capitalism due to ongoing conflicts.

The problem is that models of political capitalism in the Arab world converge toward the creation of unproductive and non-market mentalities that blocks a potential reversal of fortune. Rentier capitalism produces a rentier mentality in which reward - income or wealth - is not linked to work and risk-taking, but rather to chance and situation. For a rentier, reward becomes a fortuitous gain, an isolated, situational or accidental fact, in contrast to the conventional view where reward is embedded in a process as the end result of a long, systematic and organized production circuit. Neo-patrimonial capitalism and confessional capitalism produce a clientelist mentality where personal networks, specifically confessional networks, count more than anything else. Militarized capitalism produces an authoritarian mentality opposed to the market mentality and a reliance on the state to coordinate economic activities. Finally, a highly conflictual environment does not favor a market context, but rather an increase in military spending, a key role for the army, and instability that is not conducive to productive investment (Parent and Zouache 2025).

⁹ According to Veblen (1898a,b), humans are dominated by a set of impulses or inclinations that vary over time. Veblen (1914, p. I) distinguishes between two structures of human behavior: tropisms and instincts. According to him, the routine and details of human life are ultimately determined by instincts (ibid.): these natural dispositions guide human activity. While tropisms consist of automatic responses by individuals to external stimuli, instinctive action is teleological (ibid. p. 4) and involves self-awareness and adaptation to a desired end (ibid., p. 4). The ends of life, the goals to be achieved, are therefore determined by man's instinctive inclinations (ibid., p. 5). However, Veblen goes beyond this view and also offers a more detailed explanation, the main thesis being that culture conveys a number of ways of thinking inherited from religious beliefs, beliefs and ways of thinking that favor the emergence of certain economic institutions such as the artisan instinct. Ways of thinking and habits are not only individual in nature; they are also collective in nature (Veblen 1898a, p. 195). Habits are transformed into skills and are transmitted at both the individual and collective levels, but it is important to remember, as Commons (1931) points out, that collective action controls, liberates, and expands the scope of individual action.

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Table 1. A Comparative table of Arab political capitalisms

Type of political capitalism	Conceptual features	Empirical (comparative) indicators	Illustrative countries
Rentier	<ul style="list-style-type: none"> - State revenues mainly derived from external resources (hydrocarbons, aid, maritime transit) - Redistribution through subsidies and public employment - Low tax burden 	<ul style="list-style-type: none"> - Share of hydrocarbons in exports and government revenues: >70% (Algeria, Iraq, Kuwait, Qatar, Saudi Arabia) - Social spending financed by oil revenues (subsidies, public sector jobs >30-40% of the working population in the Gulf and Algeria) - Low share of direct taxes in GDP (<10%) 	<p>Gulf (Kuwait, Saudi Arabia, Qatar, UAE, Oman, Bahrain), Algeria, Iraq, Libya. Semi-rentier: Jordan (aid >10% GDP), Egypt (Suez Canal, remittances, aid).</p>
neo-patrimonial	<ul style="list-style-type: none"> - Power concentrated in a clan or elite - Economic collusion (“crony capitalism”) - Weak formal institutions, dominant informal networks 	<ul style="list-style-type: none"> - Public sector share of employment >25-30% (Egypt, Tunisia, Syria) - High corruption index (Transparency International) - High concentration of wealth in the hands of families linked to power (e.g., the Trabelsi family in Tunisia, Assad's entourage in Syria) - Informality: >40% of the economy (Maghreb, Egypt) 	<p>Egypt (military capitalism), Morocco (Makhzen and royal families), Tunisia (families linked to Ben Ali), Syria (Assad clan).</p>
Confessionnal	<ul style="list-style-type: none"> - Institutions organized along religious lines - Economy shared by religious communities - Economy financed by the diaspora and international aid 	<ul style="list-style-type: none"> - Diaspora remittances >15-20% of GDP (Lebanon, Palestine) - Low share of national taxes in public revenue (<10%) - Hyperconcentration of banking (Lebanon: financial sector = >70% of GDP before 2019) - Dependence on foreign aid (Palestine: >25% of GDP) 	<p>Lebanon (banks and real estate dominated by religious elites), Iraq (post-2003: sharing of oil revenues among parties/militias), Palestine (dependence on aid + informal economy).</p>
Militarized / State-owned	<ul style="list-style-type: none"> - Army as a key economic player - Nationalizations, major projects, dominance of public 	<ul style="list-style-type: none"> - Share of companies controlled by the military (Egypt: >30% of the formal economy according to estimates) 	<p>Egypt (prototype of military capitalism), Algeria (army as guarantor of oil revenues), Syria (Assad</p>

Type of political capitalism	Conceptual features	Empirical (comparative) indicators	Illustrative countries
	enterprises - Authoritarian state	<ul style="list-style-type: none"> - High military budget (Algeria and Egypt: >3-4% of GDP) - Weight of the public sector >35% of employment (Algeria, Egypt) - Presence of public conglomerates dominated by the military/elites 	and his security networks).
Hybrid / Transitional	<ul style="list-style-type: none"> - Weak or contested institutions - Survival economy dominated by the informal sector - Heavy dependence on international aid and remittances - Political and military fragmentation 	<ul style="list-style-type: none"> - Informality >50% of GDP (Yemen, Somalia, Sudan) - International aid >20-30% of GDP (Palestine, Somalia) - Low fiscal control (<5% of GDP in domestic tax revenue) - High state fragility index (FFP, World Bank) 	Palestine, Yemen, Somalia, Sudan.

Remarks: Rentier states are the easiest to measure empirically: hydrocarbon indicators, fiscal dependence, and the weight of rent in GDP. Neo-patrimonial capitalism manifests itself in a combination of an oversized public sector, high levels of corruption, and widespread informality. Confessional capitalism can be measured in precise figures: diaspora remittances, aid dependency, and an abnormally high weight of the financial sector. Militarized capitalism can be measured by the military budget and the share of companies controlled by the army. Finally, hybrid capitalism can be identified by indicators of fragility: extreme informality, dependence on aid, and lack of domestic tax revenue.