Freedom, Unity, Capitalism:

Syria as an Aspiring Developmental State

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Abstract

This paper investigates how Bashar al-Assad attempted to transform the Syrian Arab Republic into a liberal economy, with post-National Socialist West Germany as an explicit model, and China and neighboring Lebanon as an implicit inspiration. His early reforms, however, compromised his ability to appropriately gauge the threats to the security of the Syrian state, by thwarting the reach of the patronage networks on which his Ba'ath Party relied not only for graft, but as a channel for Syrians to report social and economic grievances. We find that Bashar al-Assad faced constraints similar to developmental states like Singapore, South Korea, and Taiwan, and replaced appointees based on his kin network with foreign-educated Syrians of a more technocratic inclination in an attempt at what has been called "authoritarian upgrading".

1. Introduction

This paper examines the economic practices and policies of the Syrian Arab Republic since the 1990s building on existing literature in the fields of Public Choice and Development economics. This paper argues that a significant, though by no means primary, cause of the Syrian Civil War was a catastrophic decline in Syrian state capacity due to attempts at pro-market reforms by President Bashar al-Assad.

These market reforms were pursued because of four factors. The first factor is that Bashar al-Assad was not "born to rule." He originally aspired to be an ophthalmologist and trained in the United Kingdom to that end.[1] The second factor is that in preparation for his eventual ascension to the presidency, al-Assad was appointed military governor of Lebanon, a country that even in the aftermath of a civil war was more liberal *and* wealthier per capita than Syria itself. The third factor is that there was an inertia of overtures originally made by his father to align to the West in the aftermath of the fall of the USSR, with new opportunities for further reconciliation made possible by the Global War on Terror. The fourth factor is that as the indefinite president of a one-party autocratic state, Bashar al-Assad perceived himself as what could be considered a long-term "stationary bandit," a residual claimant on Syria's productivity, and had a rational incentive to increase that productivity.

The market reforms pursued were explicitly modeled after those of West Germany, and implicitly with the goal of matching Lebanese living and productivity standards. Given the sort of government that Bashar al-Assad insisted upon maintaining, an authoritarian one-party state, it is instructive to consider Syria's development strategy in the light of Developmental State Theory,

[1] His older brother, Bassel al-Assad, had perished in a 1994 collision at the age of thirty-one when his Mercedes impacted a road barrier at 150 mph.

otherwise known as a "plan-oriented market economy" or "Authoritarian Capitalism." Syria faced institutional and material constraints like those of the archetypical developmental states like Meiji Japan, South Korea during the Park Chung Hee era, and Indonesia under Suharto's "New Order."

While there is significant literature on "growth disasters," and a moderately sized literature on developmental states, there is little literature on the failures of developmental-state oriented growth. Developmental states are primarily identified in hindsight, and by the positive fruits of their efforts. This paper argues that Syria tried, and failed, to develop according to the authoritarian capitalist example of a dozen nations before it. This paper then explores how, and why, this failure occurred.

2. Why Syria Matters

At the time of writing, the Syrian Civil war has lasted for well over ten years. The war is fought between four main groups with twenty foreign states publicly acknowledging material support for at least one or two sides. Those sides are the Syrian Arab Army ("The Assad Regime"), a coalition of anti-government forces including the conservative Islamist Turkish-backed Free Syrian Army and the Salafi-jihadist al-Qaeda affiliate Hayyat Tahrir al-Sham ("The Rebels"), the Islamic State ("ISIS") and the Syrian Democratic Forces ("The Kurds"). The war has also spilled over into Syria's neighboring countries of Iraq and Lebanon. At least two of Syria's other neighbors, Israel and Turkey, have carried out armed operations within Syria itself to protect their regional interests.

The Syrian Civil War has affected the security situation of the rest of the world. The conflict has produced over six million internally displaced people and five million refugees, about

a million of whom attempted to resettle into Europe. From 2014 to 2017, Europe experienced a wave of terrorist incidents including stabbings, shootings, bombings, and truck ramming, with more Islamic terror attacks in that period than in all years before or since combined. Most of these attacks were not perpetrated by Syrian War refugees, but by European born Muslims, radicalized by ISIS propaganda to attack their countries of residence if they could not join the ranks of foreign volunteers in Syria. This migrant crisis and its coincident spike in terror attacks were significant catalysts for the rise of right wing and Eurosceptic politics in Europe at the time.

The war has had implication for Asia as well. The final stronghold of the rebellion in Syria is the city of Idlib, in the northwest of the country on the border with Turkey, controlled primarily by Hayyat Tahrir al-Sham, the Syrian wing of al-Qaeda.[2] One of the armed groups in the city is the Turkestan Islamic Party, a Salafi-Jihadist group composed almost entirely of Uyghurs, who wish to establish an Islamic Caliphate in Xinjiang. The Xinjiang Region is a primary hub of China's planned "Silk Road Economic Belt", a proposed overland rail line intended to link Beijing through Kazakhstan to Iran, beyond to Turkey, and finally to the European Union. Since 2017, that Xinjiang region has been the target of what can politely be referred to as an assertive re-education campaign by Chinese authorities, aimed at imposing the values of Socialism with Chinese Characteristics in general and secularism in particular.

Syria occupies a critical position in the Middle East, strategically and ideologically. Syria shares a land boundary with Turkey, the Kurdistan region, the Mediterranean Sea, and Israel. It hosts a Russian naval base in the city of Tartus, and to quote former Iranian foreign minister Ali

[2] Turkey established twelve observation posts throughout the Idlib governorate as part of an agreement with the Russian government to ensure rebel compliance with ceasefire agreements. Turkish attempts to leverage this position to support the Muslim Brotherhood affiliated Free Syrian Army forces in the city against Hayyat Tahrir al-Sham appear to have been a total failure.

Akbar Velayati, "The chain of resistance against Israel by Iran, Syria, Hezbollah, the new Iraqi government, and Hamas passes through the Syrian highway… Syria is the golden ring of the chain of resistance against Israel." Syria, like Yemen, is also a major proxy battlefield in the regional cold war between Iran and Saudi Arabia.

As such, the Syrian civil war represents a decisive moment not only for the state of political Islam in the Arab World, but for the balance of power between Saudi Arabia and Iran in the Middle East, the balance of power between NATO and Russia in the Mediterranean, and for the future of Chinese security and development strategy. A relevant comparison may be the Polish-Soviet war of 1918-1921, which (temporarily) halted the spread of Bolshevism into Eastern Europe and eventually determined the battle lines of the Eastern Front of the Second World War. The question of *how* Syria found itself in its present situation, then, is one of the most important in 21st century political science. And the most important questions of 21st century political science ought to be considered of at least passing interest to economists.

3. Defining the Developmental State.

The concept of the Developmental State, or a "plan-oriented market economy" was first advanced by Chalmers Johnson (1982). The crucial feature of the developmental state was the intimacy of its relationship with the private sector and the intensity of its involvement in the market, setting substantive social and economic goals for the private sector to meet by whatever means available to it, as opposed to the liberal-regulatory state, which establishes a legal framework by which the private sector sets and accomplishes its own goals, or the socialist state, which treats state ownership and central planning as goals unto themselves.

Leftwich (1995) defines the developmental state as having six major components. First, a small, determined developmental elite. Second, relative autonomy in the sense that "the state has been able to achieve relative independence (or insulation) from the demanding clamour of special interests and that it both can and does override these interests in the putative national interest." Third, a powerful, competent, and insulated economic bureaucracy. Fourth, a weak and subordinated civil society, with civil society meaning "the web of all privately-organized interests and groups, above the family level but below that of the state," and with subordination usually being carried out through "internal security legislation and agencies, secret police, and party organizations." Fifth, the effective management of non-state economic interests, in other words that "state power and autonomy [is] consolidated before national or foreign capital [becomes] influential."

Finally, the sixth major component is a combination of repression, legitimacy, and performance. In successful developmental states, Leftwich argues "this mixture of repression and legitimacy is best explained by the well-distributed benefits of the high growth rates that these developmental states have attained, at least as measured by the Human Development Index" despite "appalling human rights records, at least when set against liberal standards."

Doner, Ritchie, and Slater (2005) further explore the origins of developmental state arrangements, which they define as "organizational complexes in which expert and coherent bureaucratic agencies collaborate with organized private sectors to spur national economic transformation." They argue that their characteristic capacities emerged from the challenges of delivering side payments to restive popular sectors by states found in a condition of "systemic vulnerability."

Countries with narrow coalitional commitments face a reduced pressure for side payments, countries without severe external threats can safely cut defense spending, and countries with abundant resource endowments can afford side payments without "upgrading" to developmental institutions. Doner, Ritchie, and Slater acknowledge that "external threats, even in conjunction with mass coalitional pressures, are not always associated with growing institutional capacity." They argue that "the critical factor explaining this variation is whether threatened states will be forced to turn inward to meet the financial challenges of the war." "In sum," they argue, "leaders such as Park Chung Hee, Singapore's Lee Kuan Yew, and Taiwan's Chiang Kai-Shek only took the lead in building developmental states because they were more tightly bound, not more brilliant or benign, than their counterparts throughout the developing world."

Kim (2009) argues for a fourth component of systemic vulnerability, based on colonial origins. Kim argues that "income distribution, a factor shaped by history and supported by institutions, in society is a fundamental cause, not a result, of long-term economic growth." Citing Acemoglu (2005), Kim argues that Korea and Taiwan came out of the colonial period with extractive institutions, established to favor Japanese landlords, industrialists, and intellectuals, as well as indigenous elites who supported the colonial rule. However, the story goes, after the Japanese surrender to Allied forces and resulting decolonization, Korea and Taiwan implemented "perhaps the most comprehensive land reforms that dramatically equalized income and resources." It appears to be an elaboration of Leftwich's fifth criteria, "that state power and autonomy [is] consolidated before national or foreign capital [becomes] influential."

4. Did Syria Need Developmental Institutions?

Due to the nature of Syria's demographics, the Ba'athist regime is defined by broad coalitional commitments. There is no single ethnic or religious group, nor class interest or industry that can be safely paid off or subsidized to ensure rule over the rest of the country.

In a state where Sunni Arabs compose the overwhelming supermajority, an ethnic clique of Alawites controls the military and operates at the center of a coalition that includes nearly every other Arabic-speaking minority group in the country. Before the civil war and its attendant population transfers, these minorities could be found across the breadth of the country, with highly disparate political interests beyond a mutual fear of a Sunni Islamist regime expected to result from any sort of majority rule in the country.[3] Lesch (2017) points to urban Sunni Muslims in Syria's business class or with ties to the military, particularly those of the Sufi sect, as parts of the Assadist ruling coalition. Including this population, the Assadist ruling coalition expands from twenty five percent of the country to plausibly around half.

The case of Christians is illustrative of the diversity of political opinion within the coalition. As a broad pattern, Syrian Christians living in cities tend to be Greek Orthodox, highly Arabized, highly educated, and politically on the left.[4] On the other hand, rural Christians tend to be Syriac Orthodox, identify themselves as Assyrians, are overrepresented in the Iraqi and Syrian

[3] Like most Levantine states, Syria is ethnically and religiously diverse. 80% of the Syrian population lives in the western 20% of the country. 13% of the population are Shi'a Muslims, most of them Alawites that live along Syria's Mediterranean coast in cities like Latakia and Tartus. Another 10% are Christians, primarily located in the mountain strip overlooking that coastal plain, as well as in most major cities in Syria, particularly Hama. There is a small Druze population living to the south in and around Suwaida near the border with Jordan, and the remaining 75% of the population is Sunni, who live primarily in cities immediately east of the mountains like Idlib and Aleppo, as well as in cities like Raqqa and Deir ez-Zour along the Euphrates river which cuts across the otherwise uninhabited desert to the border with Iraq. Sunnis also include Kurds, composing 10% of the population, who live primarily in the mountains along the Turkish border to the north, in cities like Afrin, Manbij, and Qamishli.

[4] The most notable exemplar of this pattern would be Michel Aflaq himself, born in Damascus and an intellectual godfather of the Ba'ath party.

militaries, and their politics lean to the right.[5] Assyrians speak a form of Aramaic despite active Arabization efforts by the Ba'ath party since 1963. Of 1.2 million Christians in the country, 200,000 of them were ethnic Assyrians. In Syria, Assyrians live in the far eastern al-Hasakah Governorate, among a heavily Kurdish population, and in the southern Homs governorate, among Sunni Arabs.

The ruling coalition was effectively codified in the constitution ratified by Hafez al-Assad in 1973, which guaranteed a right to free exercise of religion, and a right to employment. While the Constitution asserts that Islamic jurisprudence should be *a* main source of legislation (importantly not *the* source of legislation), Syria has for decades remained a fully secular, if not outright laïcité state. Likewise, the stipulation that only a Muslim may be president should be understood to be completely symbolic, given that the only two presidents under this constitution have been Hafez al-Assad and his son Bashar.[6] Religious courts are only allowed to hear and settle cases related to Syria's Personal Status laws (i.e. involving marriage), and thus there is no legally recognized interfaith marriage in Syria. Syria does not have any laws regarding conversion from Islam, so long as it is not done in a way that "disturbs public order." Islamic waqfs and their properties are "Collective Property" under the constitution.[7]

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[5] An infamous example of this would be Munir Redfa, who defected to Israel from Iraq with the then-new MiG-21. This pattern can also be seen in Lebanon, where the right-wing Lebanese Phalange identified themselves not as "Arab Christians" but as "Phoenicians."

[6] The question of whether Alawites are Muslims has been a matter of controversy in the past. Alawites identify themselves as a branch of Shi'a Islam and proclaim that there is no god but Allah and that Muhammad is his messenger. The Grand Mufti of Jerusalem proclaimed Alawites to be Muslims in the 1920s. On the other hand, Alawites believe that Allah is a "cyclical triad" that occasionally manifests in human form, celebrate Christmas and Palm Sunday, transubstantiate wine into the blood of the Prophet Ali during services (whereas most branches of Islam forbid alcohol outright) and proclaim Simon Peter as a patriarch of Islam. The position that Alawites are *not* Muslim has been separately affirmed by both crusader knights and the Medieval Islamic scholar Ibn Tamiyyah, associated today with scriptural justification for Salafi-Jihadism.

[7] Article 14 of the constitution defines the three categories of property in Syria. "Public ownership includes natural resources, public utilities, and nationalized installations and establishments, as well as installations and establishments set up by the state. Collective ownership includes the property belonging to popular and

Also banned in Syria is membership in any religious or political affiliate wing of the Muslim Brotherhood, or any Salafist organization. The imposed rules made clear that the purpose of the state was to protect the status of Syria's non-Sunni minorities, create employment for loyal Ba'ath party members, and to protect Syrian property owners from further expropriation without compensation. Further intervention into Syria's economy has taken more "conventional" forms such as taxation, tariffs, and regulation, or through civil society organizations controlled by the Ba'ath party.

Government and public sector employees constituted about 30% of the labor force in 2010, and this likely represents a historical low. These public sector positions are not considered particularly well paid and are considered to be primarily a form of patronage for the millions of registered Ba'ath party members in the country. The Arab Socialist Ba'ath Party in Syria boasts one and a half million card-carrying members (10% of the population), all over the country and at every level of society, including teachers, students, state employees, union leaders, and members of the chamber of commerce and industry. The party is disproportionately Christian, while the military is controlled fully by Alawites. The regime's side payments also took the form of a comprehensive regime of price controls and export subsidies.

On the matter of facing external threat, Syria neighbors five countries, and has never enjoyed warm relations with more than three of them. Nominally, the same party rules both Iraq and Syria, and both governments officially aspire to unify with each other as a part of the broader

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professional organizations and to production units, cooperatives, and other social establishments." Finally, there is "Individual ownership" which "should not be used in ways contrary to the people's interests." The protections of individual ownership are defined in Article 15. The right to eminent domain was outlined, with individual ownership subject to expropriation in the case of "public interest and in return for just compensation in accordance with the law" which "cannot be effected except through a judicial decision." On the other hand, the "public seizure of funds is permissible."

pan-Arab project, but they experienced a history of strained relations over mutual fears that the other side's political leadership would dominate said pan-Arab union. This was compounded when Syria sought an alliance with the Iranian Revolutionary government, prompting Saddam Hussein to close the border between Syria and Iraq entirely. Syria permanently ended any chance of reconciliation with Saddam by joining the military coalition to dislodge Iraq from Kuwait in 1991. The Syrian government has enjoyed positive relations with the government imposed by the US on Iraq in 2003, however. Critically, after the US invasion, the Iraqi border was a constant source of Islamic militant infiltration into the country, many of whom would form the backbone of anti-government forces during the civil war.[8]

The most obvious threat is Israel, which can be fairly considered the foremost military power in the Middle East, and presently occupies the Syrian Golan Heights, having defeated the Syrian Arab Army in three separate wars. Syria had appeared to have built up some amount of goodwill with NATO, despite its hosting of a Russian naval base, by joining in the coalition against Iraq in the first Gulf War. Domestically, this war would have been easily justified as a defense of Kuwait, a fellow Arab League member state. After the war, the US facilitated the Madrid Peace Conference of 1991, attended by Israel, Syria, and other Arab states, during which Syria expressed a willingness to establish formal diplomatic relations with Israel in return for the full return of the Golan Heights as a demilitarized zone, the same deal Israel had reached with Egypt in 1978.

[8] The Syrian Civil War went international extremely quickly. To believe the Syrian Government, it was so from its earliest days. By the end of October 2011, the FSA was allowed by the Turkish government to establish a headquarters in Southern Turkey from which to stage attacks in Syria. Within the first two years of the war, Qatar had provided $3 Billion USD to Syrian rebel fighters, offered $50,000 cash stipends per year to Syrian defectors and their families, and until 2016 operated a facility with the CIA to train rebel fighters. The government of Saudi Arabia began to openly provide anti-tank guns procured from Europe and TOW missiles from the US to the FSA, and in August 2013, prince Bandar bin Sultan was appointed to lead the kingdom's efforts to topple the Assad regime. The Saudis also began offering stays of execution to death row inmates who agreed to fight for the rebels in Syria.

However, Israel demanded to keep 5% of the Golan for itself as well as a surveillance station overlooking Lebanon, so the deal fell through. In his first year as President, Bashar al-Assad reaffirmed a willingness to resume peace negotiations with Israel, until the Likudnik Ariel Sharon was elected Prime Minister, at which point Assad declared that any peace with Israel would come only after the culmination of the Oslo Process in the formation of a Palestinian State.

Neighboring Jordan is not considered a significant military power on its own terms, but does play host to a US airbase and is firmly aligned with Gulf monarchies against secular nationalist regimes in Arab world political matters. Bush's inauguration in January 2001, six months into Bashar's term, brought with it the first signs of Syria's impending diplomatic re-ostracism. Since 1979, Syria had been designated a state-sponsor of terrorism, a position that George W. Bush reaffirmed in the aftermath of the 9/11 attacks. Syria proudly boasts of its support for the Islamic Resistance Movement ("Hamas")[9] in Palestine and the Lebanese Party of God ("Hezbollah"), affirming both as "National Liberation Movements." Bashar further diplomatically isolated Syria by being one of the few heads of state in the Arab League to criticize the US invasion of Iraq in 2003, after helping Saddam to evade sanctions on Iraqi oil exports in the year before the invasion, prompting an increase in US sanctions against Syria.

Syria's relationship with Turkey has been strained from the very beginning, as Turkey occupies what Syria considers to be its rightful territory in the Turkish province of Hatay, which the Syrians consider to be the province of Alexandretta. Turkey has condemned the Syrian government for supporting the Kurdistan Worker's Party, which Turkey (and all other NATO countries) consider to be a terrorist group. At the same time, the Syrians object to the Turkish government's longtime support of the Muslim Brotherhood, which most secular Arab states

[9] Hamas is an affiliate wing of the Muslim Brotherhood, membership of which is illegal within Syria itself.

consider to be a terrorist group, and which had previously attempted to overthrow the Assad regime in the late 1970s.

Syria similarly considered the entire Lebanese Republic to be its rightful territory, with the two nations not actually having formal relationship with each other outside of mutual membership in the Arab League until 2008. This, despite the Lebanese governments historically being quite pro-Syrian until after the Lebanese Civil War. While the Lebanese government itself has never presented a security threat to Syria, the Lebanese political situation has. The 1982 Israeli invasion of Southern Lebanon presented the intolerable prospect of an extended Israeli front line along the Syrian border. Even after both countries withdrew their forces from Lebanon, Israeli Air Force operations targeting Syria regularly overfly Lebanon's effectively undefended airspace to target Syrian positions while avoiding Syrian anti-air defenses around the Golan.[10] With Syrian and Iranian support, the Lebanese Hezbollah has grown stronger both military and politically in the ensuing years, forcing Israel into a stalemate in 2006 and becoming an enduring member of the government parliamentary coalition in 2008.

There is the question of whether Syria has scarce resource endowments. As one might expect, oil exports accounted for a sizable portion of state revenue before the civil war: 25.1% in 2010. In 2000, Syria's daily oil production was the third lowest of the oil producing states in the Middle East and it has never been a member of OPEC. That year, daily oil production was 548 thousand barrels, compared to Saudi Arabia's 9.49 million and Iraq's 2.61 million. Even in 2003,

[10] While the Syrian occupation was accused of assassinating multiple militia leaders, as well as former Lebanese Premier Rafic Hariri in 2005, no reports are readily available detailing any systematic human rights violations by Syrian forces in Lebanon. Given that there is no shortage of allegations of systematic human rights violations by Syrians in Syria, this would seem to suggest that Lebanese people under Syrian Military Occupation enjoyed more human rights, including the right to criticize the Syrian regime, than Syrian citizens in Syria, which would seem to support my hypothesis that Bashar's tenure as the country's military governor before his inauguration was used as an opportunity to experiment with liberalism tempered by targeted assassination.

when Iraqi oil production dropped in half to 1.34 million barrels daily, this was still well over twice Syria's daily production that year of 527 thousand barrels. Meanwhile, Syria was not significantly more productive than other nations with similar proven oil reserves. Colombia averaged 711,000 barrels of oil per day, Vietnam 328,000, and Gabon 327,000. (Buyanov 2011) Worse still, those 2000 productivity levels already represented the beginning of a *decline*. Syrian crude oil production peaked in 1996 at 590,000 barrels a day, four years before the beginning of Bashar's presidency. Syria has nearly the lowest proven oil reserves of any country in the Middle East. In 2000, Syria "only" had 2.3 billion barrels of proven oil reserves. For comparison, Saudi Arabia had 262.8 billion, and Iraq had 112.5 billion, and UAE had 97.8 billion, while Syria's reserves put it in the ballpark of Colombia (2 billion), Vietnam (2 billion) and Gabon (2.4 billion).

In sum, when Bashar al-Assad assumed his post, Syria faced the three primary constraints that necessitate a shift to developmental institutions. The Ba'athists had a large coalition, which created pressure for side payments. It faced multiple severe external threats, which meant that those side payments could not undermine defense spending. Most distressingly, it was about to have scarce resources, with the country being projected to be a net oil importer by 2020 before the breakout of the civil war moved the timeframe, meaning that those side payments would be unaffordable without significant institutional upgrading. Of course, if *needing* something and *having* something were the same thing, there would be no need for economists.

5. The Social Market Economy

The Syrian Arab Republic has undergone two periods of attempted liberalization. The first attempt requires little explanation. In the mid-1980s, the Syrian economy experienced an

unprecedented crisis, with the Syrian GDP falling from $17.59 billion USD in 1983 to $9.85 billion USD in 1989. Hafez Al-Assad's first response was a policy of protectionism, in 1986 passing a law increasing the penalties for illegal foreign exchanges of Syrian currency, raising tariffs, and restricting imports into Syria. In 1991, Hafez reversed course and began a policy of "selective liberalization," beginning with the passage of "Investment Law No. 10" in May of that year, offering investors duty-free import privileges for the import of capital goods and other materials. Selective liberalization did not go anywhere primarily due to Hafez al-Assad's unwillingness, or inability, to risk undermining the public sector patronage system that helped the Ba'ath party to maintain its legitimacy. The country was caught in a textbook example of what Tullock (1975) called a Transitional Gains Trap: enough people were in on Ba'ath party corruption that almost nobody was getting particularly rich doing it, yet to do anything about that corruption would impose massive costs on a very politically relevant group of people. Syrian GDP per capita would not return to 1983 levels for over twenty years.

In June 2005, one month after the withdrawal from Lebanon, the Ba'ath party congress endorsed a proposal by Bashar for the promotion of a "social market economy" in Syria, approving a Five-Year Plan in January of 2006 to that effect. Reforms implemented as part of the plan included tax cuts and currency liberalization, intended to reduce capital flight. Also included, and implemented, were an end to subsidies for agricultural inputs and other farm price supports, a relaxation of central agricultural planning, an end to rent controls, and the abolition of many tariff protections as required by Syria's newly negotiated membership in the Union for the Mediterranean.

The term "social market economy" was originally promoted by Ludwig Erhard, the West German Minister of Economic Affairs from 1949-1963. The successful transition of what was left of Germany from a National Socialist state to a successful market economy with a competent regulatory state and extremely generous welfare programs would seem to have been an appropriate transition model for a country like Syria. It is certainly possible that Bashar al-Assad was not thinking of the historical example of Germany, but a more modern example like China, and that his apparent use of the term "Social Market Economy" is simply a translation artifact. It would still be the case, however, that Assad faced the constraints that Doner, Ritchie, and Slater posit as the preconditions for institutional upgrading, and really did at least announce that the state would engage in some form of upgrading once taking office.

If Germany was his model, West Germany had two advantages in its transition that Syria did not. The first was that those interest groups who had relied on Nazi patronage had been completely politically neutralized by de-Nazification at the end of the war. The second is that the West German security and military apparatus was complemented, if not outright substituted, by a generous NATO military presence. Ba'athist Syria, on the other hand, did not appear to have any clear path to removing from power those people whose way of life revolved around patronage from the Ba'ath Party, nor did it host at the time a significant foreign friendly military presence.

If the occupation of Lebanon was a "proof of concept" for how to manage a relatively prosperous liberal Arab state in an authoritarian way, the Social Market Economy proposal, then, would be Bashar's finished product: a conservative, corporate-friendly market economy that derived its support not from labor unions but from state cooperation with the private sector, and popular support guaranteed by generous welfare programs which would replace the jobs programs

that had previously been guaranteed to Syrians under the constitution as a human right. the Syrian Regional Branch of the Arab Socialist Ba'ath Party would be socialist in name only. This would also represent a reorientation of Bashar's entire domestic coalition, in which the extended patronage structure keeping the Ba'ath Party functional would be out, and a growing merchant class, still disproportionately Alawite, but including more Sunnis with family and business connections to the broader Middle East and particularly the Gulf monarchies, would be in.

6. Testing For a Developmental State in Syria

Based on Leftwich's (1995) criteria, to be a Developmental State, Syria must have (i) a determined developmental elite; (ii) relative autonomy; (iii) a powerful, competent, and insulated economic bureaucracy; (iv) a weak and subordinated civil society; (v) the effective management of non-state economic interests; and (vi) repression, legitimacy, and performance. Note that Leftwich's criteria assumes that the developmental state is a success; I believe his definition should be amended to include the case of nations like Syria. Leftwich describes the successful developmental state, but any good definition of the developmental state shouldn't assume that it works.

(i) A Determined Developmental Elite

Perthes (2004) identified efforts by Bashar al-Assad to associate with a small cadre of developmentally determined senior politicians and bureaucrats. By December 2001, only six of thirty-one cabinet level officials in Syria were holdovers from Bashar's first government in March 2000. Among them were Mustafa Tlass, Defense Minister since 1971, and Farouk al-Sharaa,

Foreign Minister since 1984.[11] The rest of the appointments were referred to as "Bashar's Technocrats". This category is exemplified by Saadallah Agha al-Qalaa, Minister of Tourism, and Mazen Hani Mortada, Minister of Higher Education, both close advisors to Bashar before his inauguration.

The ministers of economy, finance, industry, communication, education, higher education, tourism, and agriculture held European or U.S. university degrees, most either in engineering or in economics. Most of them also held doctoral degrees from France, Britain, or the United States, and almost all are professionals with experience working abroad: the new economy and foreign trade minister had been a long-time World Bank official; the finance minister had once served as the World Bank's Arab executive director; the agriculture minister, the education minister, and the industry minister had worked as consultants for UN organizations.

Perthes also notes:

> "Several members of the reform team were "independents," meaning that they did not belong to the Ba'ath party or any of the smaller PNF parties. Three of the reform team members, however, were or had been leading members of the formally nongovernmental Syrian Computer Society (SCS), over which Bashar al-Asad had presided until his ascent to the presidency and through which he had built his image as a modernizer. Bashar al-Asad had held no other official position before the death of his father. Several members of the SCS served as advisors to Bashar al-Asad after he became president or were appointed to leading administrative positions, such as the mayor of Damascus who became a minister of state in the 2003 cabinet."
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[11] Tlaas would retire in 2004, replaced by Hasan al-Turkmani. Sharaa would be promoted to Vice President in 2006, replaced by Walid Muallem, educated in Cairo.

(ii) Relative autonomy

Syria is an authoritarian one-party state. Its ruling coalition, primarily defined along sectarian lines, is strongly integrated within the Ba'ath party itself, and the interests of any class, region, or economic sector are regularly subordinated to the putative national interest. Non-state interests exist and may even benefit from government policies as a second order effect, but they have no ability to influence the formation of state policy. One exception would be the Makhluf family, that of Bashar al-Assad's mother, to the extent that one could consider such a family a "non-state interest." There is no entrenched rural elite, nor powerful church, nor independent labor unions, nor influential free media.

Article 8 of the constitution reads: "The leading party in the society and the state is the Socialist Arab Baath Party. It leads a patriotic and progressive front seeking to unify the resources of the people's masses and place them at the service of the Arab nation's goals." Plainly, the Ba'ath Party constituted itself as the leading member of a party coalition, the National Progressive Front, into which parties must be admitted if they wish to legally run for election. Readers should note that in the first election after the new constitution was adopted in 1973, the Syrian Ba'ath "only" held 122 out of 250 seats in the people's council. In each of the subsequent six elections under Hafez, the Ba'ath party would pick up an average of three seats. In the first election after Bashar's ascension, the party gained thirty seats, up to 167 out of 250, and has hovered around that number in the ensuing twenty years.[12] "Independent" members of the Syrian People's Assembly are still selected based on their willingness to subordinate themselves to the Ba'athist party.

[12] Not all authoritarian socialist regimes are de jure one party states. For example, the Worker's Party of Korea only holds about six hundred out of 687 seats in the Supreme People's Assembly, with the remainder held by the Social Democratic Party, a religious party, and a handful of independents. A notable case of a "true" one-party state would have been the Hungarian People's Republic, which had a legislature of about 350. Of those, about 225 went

It is precisely this "embedded autonomy" of the state that lay observers tend to cite as the primary justification for the Syrian Civil War in the first place. Another thing that the Syrian government relied on was a continuous inflow of foreign loans to offset its reliance on domestic revenue-capital, primarily from Eastern European countries like Poland, the Czech Republic, Slovakia, and of course Russia. In 2000, Syria had a debt to GDP ratio of 152%. (O'Neill 2021) As discussed before, the Syrian government shored up its expenditures with oil money but could not do so to the same extent as other oil producing Arab states.

(iii) A powerful, competent, and insulated economic bureaucracy

Syria's economic bureaucracy has very far-reaching powers on paper, though its ability to exercise its authority is constrained by the fact that a sizable portion of Syria's internal trade is done through small firms. Syria's economic bureaucracy is split between the Ministry of Finance, the Ministry of Industry. Also of note was the Ministry of Expatriates, founded in 2002 for the purpose of stimulating foreign investment and folded into the Foreign Ministry in April 2011, one month after the start of the war.

The Finance Ministry exercises control over the six state-owned commercial banks in the country—the Commercial Bank of Syria, the Agricultural Bank, and the smaller Real Estate Bank, Popular Credit Bank, Savings Bank, and Industrial Bank—as well as the Syrian Insurance company. In 2004, Lebanese investment led to the opening of the Bank of Syria and Overseas, the first private bank in the country since doing so was allowed in 2001. (Raphaeli 2007)

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to the Hungarian Socialist Worker's Party, with the remainder going to independents selected by the party. The Workers Party would then declare a government coalition called the "Patriotic People's Front," of which it was the sole member. Also in the Warsaw Pact was a case like Poland, wherein the 460-seat legislature was controlled in its entirety by the "Front of National Unity", the Polish United Worker's Party holding only 260 seats, with the remainder held by 110 agrarian socialists, 40 democratic socialists, and 50 Independents.

By 2011, fourteen private commercial banks existed in Syria, all created with foreign patronage, primarily from Lebanon, but also from Jordan, Qatar, Saudi Arabia, and Bahrain. There are no branches of foreign banks in Syria and no 100% Syrian-owned private banks (Sukkar 2018). While branches have opened around the country and private banks have increased their market share, the Central Bank of Syria, under the control of the Ministry of Finance, continues to regulate these banks, so they cannot make such decisions as setting their own budget or even their own business strategies. This means in practice that the Syrian state has an active hand in managing all significant investment in the country outside of the informal sector.

There is plausible reason to believe that Syria's economic bureaucracy is competent, particularly at the higher levels. As noted, nearly all of "Bashar's Technocrats" have received advanced training abroad and were selected not only for their personal loyalty to Bashar, but their shared belief in his developmental aims. For example, the 2000-2004 economy and foreign trade minister, Ghassan al-Rifai, received his PhD in business management and finance from Sussex College of Technology had been a long-time World Bank official. His 2004 successor, Amer Husni Lutfi, received his PhD in economic analysis from a Belgian university. The 2001-2003 finance minister, Mohammad al-Atrash, received his PhD in economics from the University of London and had once served as the World Bank's Arab executive director. His replacement, Mohammad al-Hussein, received his PhD in economics from a Romanian university. Likewise the agriculture minister, the education minister, and the industry minister had worked as consultants for UN organizations.

There is no indication that al-Hussein purchased his way into the position, though it is impossible to rule out the possibility that he may have had to pay bribes to acquire his previous

positions in the Finance Ministry or as a professor of economics at Aleppo University. However, when considering al-Hussein in his younger days, or lower ranking members of the bureaucracy, it is important to consider Allen's (1998) argument that among other benefits, the purchasing of public office incentivizes those bidding to select for competence at acquiring revenue while doing their job. Whether that acquisition of revenue is done by doing one's job, or doing something completely different, is a matter of the particular system. However, in the case of Syria's economic bureaucracy, the primary means of revenue generation for decades would have been the seeking of profitable ventures at home or abroad to predate on.

However, Syria's economic bureaucracy is absolutely *not* insulated from its security forces, and the security services form an integral enforcer of state corruption, having a secondary loyalty to Alawite kin networks, including other members of Assad's extended family. Perthes (2004) details a 2002 incident in which the CEO of Orascom, an Egyptian Telecom company and partial stakeholder in SyriaTel was threatened by the Syrian intelligence services after a dispute with Rami Makhluf, Bashar al-Assad's maternal cousin. Borschchevskaya (2010) recounts an incident in which "Issam Zaim [...] was forced to give up his post as minister of industry in 2003 because he made a decision in favor of a German company based on the actual text of Syrian law. His personal assets were frozen, and he temporarily left Syria in fear of his life."[13]

(iv) A weak and subordinated civil society

By Leftwich's given standards, Syria certainly operated in a social context where the web of all privately organized interests and groups above the family level but below that of the state had

[13] An Associated Press article written at the time details a different interpretation of the events. According to Syrian state media, Zaim had ordered the German company to pay $17 million to the state for a construction permit, then returned the money to the company "before all the terms had been settled." It is unclear whether it was the initial demand for the money, or Zaim's decision to return it, constituted the corruption for which he was investigated.

been crushed or weakened. Syria was a strong state, enjoying infrastructural power to penetrate and centrally coordinate the activities of civil society through its own infrastructure.

The Ba'athist regime acted from its inception to break the power of any alternative centers of authority, with opposition parties and professional associations were either repressed or controlled by the state. The Ba'athists created their own "Popular Associations" which dominated the leadership of trade unions. After 1982, professional associations which up to that point retained a certain independence had their leaderships formally replaced by state appointed officials, particularly the teachers and agronomists' unions. Further, all associations in Syria were required by law to be approved and regulated by the Ministry of Labor and Social affairs.

The General Union of Peasants was founded in 1964, the year after the Ba'ath party took over the country, and has branches in nearly every village. It was constructed top-down by the Ba'athist party, with the backing of small landowners. The union has continually affirmed loyalty to the party, and primarily operates as a channel by which its leaders can sit on party and state committees that concern peasant issues.

The most significant civil resistance to Ba'ath rule has come from the Sunni Islamist movement in general and from the Muslim Brotherhood in particular. Before the 1980s, Islamic leaders published manifestos demanding cuts to the bureaucracy, a withdrawal of the state from commercial activities, and the implementation of an "Islamic Economy" that would legitimize free enterprise and "fair profit." Religious schools openly recruited for the Muslim Brotherhood, and mosques delivered sermons against the regime and encouraged merchant strikes in coordination with professional associations. After the failed Syrian Islamist uprising of 1976, culminating in the Syrian Arab Army's reclamation of Hama in February of 1982, the Muslim Brotherhood was

outlawed in Syria, with membership being made punishable by death. Its leaders went into exile, and the state purged the leadership of every mosque, religious association, and professional syndicate accordingly. (Hinnebusch 1993)

The complete lack of any genuine civil society in the Syrian Arab Republic has been observed even by members of the educated urban minority bloc that composes a major component of the Ba'athist ruling coalition. In January of 2001, a group of Syrian intellectuals published a manifesto in *al-Hayat*, demanding an end to single-party rule[14], calling for an independent judiciary, and an end to discrimination against women. While the colloquial name for the manifesto is "the Manifesto of the 1000," the official name was "The Basic Document of the Committees to Revive Civil Society." The letter came in response to Bashar's June 2000 Inaugural Address to the assembly, he declared the "desperate need for constructive criticism, which is the exact opposite of destructive criticism that often colors most discussions and proposals for various reasons whether they are personal or otherwise."[15] In an earlier open letter dated September 2000, 99 Syrian intellectuals issued the "Statement of 99", calling for the state of emergency to be ended, for political prisoners to be pardoned, for deportees and exiles to be allowed to return, for legal protection for free speech and freedom of assembly, and to "free public life from the laws, constraints and various forms of surveillance imposed on it."[16]

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[14] It remains to be answered how those left-wing Christians imagined the first parliament of a democratic Syria would look, given that 75% of the country consisted of conservative Sunni Arabs who were even more disenfranchised than they were. Whatever they imagined, the government response was to release several hundred political prisoners, then declare an end to the need for "constructive criticism" and subjected anyone who attempted to hold further "discussion forums" to arrest and detention.

[15] Comparison could be drawn to Mao's "Thousand Flowers" campaign, with the distinction being that Mao concluded his request for criticism by executing almost everyone who offered it, while Bashar's critics came from within his own ruling coalition.

[16] The signers of the first letter were disproportionately Christians, and overwhelmingly at least left-of-center. In other words, the letter was published by members of what was, in theory, Bashar's winning coalition, and they

(v) the effective management of non-state economic interests

Syrian state power and autonomy was firmly consolidated relative to capital, whether foreign or domestic, by the time Bashar came into office. For much of Syria's history, the strategy to manage non-state economic interests was simply not to have any above a certain size. The country was defined officially as a Socialist People's Republic with a planned socialist economy until the June 2005 Ba'ath Party Congress approved Bashar al-Assad's proposal to transition Syria into a "Social Market Economy." In practice, Syria's socialism amounted to a series of large-scale land reforms and the nationalization of the country's major industries. In 1987, only 2% of all cultivated land belonged explicitly to the state. Another 30% belonged to cooperative organizations but was used by private actors. Similarly, small-scale industry is almost entirely private, and while 90% of Syria's internal trade is managed by the private sector, only one third of its foreign trade is.

When the Ba'ath Party seized control in March 1963, they carried out waves of ambitious nationalizations over the next three years, arguing that private investment in Syria had failed to provide the foundations for future independent development.[17] By 1965, regime uncertainty had shifted into full-blown capital flight after the state nationalized sixty commercial enterprises, 130 industrial establishments, and the entire domestic cotton industry. This meant that what remained of the Syrian middle class after that period was more mercantile than industrial.[18]

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were asking, de facto for the Ba'athist Party in general and Bashar al-Assad in particular to relinquish control over Syria.

[17] The pre-Ba'athist Syrian Republic had already been attacking the Syrian middle class with a series of nationalizations and reforms since the late 1950s, with measures including the land reform of 1958, the nationalizations of all banks and insurance companies in 1961, and the partial or total nationalization of the twenty-seven largest industrial firms in the country. If anyone voiced the objection in 1965 that the waves of nationalization three years earlier may have led to what we now refer to as regime uncertainty, they were not heeded.

[18] This would also suggest that the middle class would lean more urban and more Christian.

When Hafez al-Assad took power in 1970, he ended but did not reverse the nationalization programs, and declared an amnesty for "economic crimes" perpetrated before his ascent. When the Syrian economy crashed in the early eighties, al-Assad began a tepid program of liberalization and privatization, which in its early phases simply resembled austerity, and in later phases amounted primarily to import promotion as a de facto export subsidy (e.g. the state partially pays for any aluminum imported by firms, so that they can afford to cheaply sell processed goods made with aluminum). 1986 was the first year since the Ba'ath takeover that private sector *output* exceeded public, but in real terms, the value of annual private *investment* remained almost unchanged from 1980-1987. (Perthes 1991)

(vi) repression, legitimacy, and performance

Whether the seeds of rebellion were planted by hands foreign or domestic, the field was clearly fertile. The Syrian state's vulnerability has been blamed on factors like sectarianism, inflation, unemployment, and poverty (Hendawi 2012), the state's relative lack of oil wealth (Masoud, Reynolds, & Brownlee, 2013), and even global climate change (Kelley, Mohtadi, Cane, Seager, & Kushnir, 2015).

From 1963 on, Syria's institutions bore many similarities to those of a Warsaw Pact state. Authoritarian socialist rule, mediated by a network of state-controlled trade unions, lucrative patronage positions, and a comprehensive bureaucracy disproportionately staffed with ethnoreligious minorities. Also like a Warsaw Pact state, Syria plays host to a significant Russian military presence in the form of a naval base in the city of Tartus, established in 1971. Membership in the Ba'athist party was a practical requirement for any position not only for bureaucratic appointments, but positions in state-owned industries.

Under Soviet Socialism, and under Syria before Bashar, corruption was a way of life, a universal fact of a citizen's experience. Under Bashar, "productive" access to illicit networks was not only increasingly difficult for average Syrians, it proved increasingly intolerable for otherwise well-connected Arabs from outside Syria. Consider the earlier mentioned incident, when the CEO of Orascom was threatened by security services because of a dispute with Bashar's cousin, Rami Makhluf. Egypt consistently rates as one of the most corrupt countries in the Arab world, behind Syria and Yemen. Not only does it share a language and culture with Syria as a Mediterranean Arab Nationalist Republic, but for three years the countries were in political union. Any Egyptian entrepreneur capable of success in their own country should be more than familiar with navigating corrupt environments. Nonetheless the CEO of an Egyptian telecommunications company found doing business with the President's cousin to be dangerous to life and limb.

According to Transparency International's Corruption Perception Index, Syria's score dropped from 2.4 (out of a possible 10) and 138th place (out of 180) in 2007, to 2.1 and 147th place in 2008. In 2009, Syria still hovered near the bottom of the list with a score of 2.6 and 126th place. I argue that this perception should be seen as not despite but *because* of the fact that al-Assad had carried out several anti-corruption campaigns since assuming office in 2000. According to Borshchevskaya (2010), "whatever reduction in corruption occurred at lower levels of government, it was more than offset by increases at higher levels."

To conceive of political patronage positions is to miss an important secondary function. Well-developed corrupt networks sort bureaucrats into stations commensurate with their talents and connections, create trust between members, and allow for the distribution of goods and services in a way more tolerable to those involved than might be predicted with ideological

opponents of centralized distribution of said goods and services. In a similar fashion that the pricing of goods conveys knowledge of demand for capitalist economies under the Hayekian story, the pricing of favors conveys information throughout corrupt socialist ones.

Locking an increasing proportion of Syria's endemically impoverished citizenry out of the still extant corruption networks did not just increase dissatisfaction with the regime: it simultaneously reduced state capacity. While the Syrian Arab Republic possessed one of the most infamous internal intelligence services in the Arab World, a significant amount of citizen discontent that might otherwise have been verbalized as a systemic complaint to be punished by said services was simply channeled into the cultivation of the peculiar skills of deception, lying, opportunism, corruption, and bribery. One skill that is impossible for a Sunni Arab to cultivate, however, is the "skill" of being the Alawite president's cousin or brother-in-law. In a country where membership in the Muslim Brotherhood has been a capital offense for thirty years, cutting back on corruption means that the ethnic majority population has almost no capacity for civic engagement whatsoever. On the margins, Sunni Arabs would have to resort more to their own kin networks, which are significantly more inscrutable and less responsive to the coastal-urban-Alawite state than networks mediated through the Ba'ath party. Worse still for the regime, Sunni kin networks are likely to be supranational, including citizens of Jordan, Iraq, Egypt, and even Turkey.

7. Conclusion

The intention of the Assad regime was to promote foreign investment into the country and increase its productivity through market reforms to raise the rent-seeking potential of Assad's inner circle in both relative and absolute terms. Market integration was first to be done with other

Mediterranean states like Egypt, Tunisia, Algeria, Cyprus, Greece, and Italy. As the Global War on Terror developed, a reorientation was made towards regional strategic allies like Lebanon, Iran, and eventually the Iraqi government after the American imposition of Shi'a majority rule there.

Those economically displaced by the transition into a market economy were meant to have acquired gainful private sector employment in a growing Syrian economy and paid off until that point by a system of direct welfare payments comparable to those of Europe. The Sunni Arab populations would receive the positive externalities of a growing liberal economy, except for the right to participate politically in a country where they compose an overwhelming supermajority.

Syria would remain an authoritarian regime dominated by a few dozen Alawite families related to the president by marriage, and the President's maternal cousin would have remained the richest individual in the country through his partial ownership of its critical infrastructure. Syria, already a secular socialist state with de jure equality between men and women, would be able to present itself to the outside world, and the left-wing intellectuals in its coastal cities as a genuinely liberalizing regime.

In reality, Bashar's reforms deprived the Syrian population of even their second-best solutions to the problems of living in an authoritarian regime, while his kin network continued to abuse their control of the intelligence and security services to abuse and extort foreign investors into the country as well as any government employees who tried to provide anything close to the legal protections that even corrupt businessmen from other Arab states might expect, much less investors from Western Europe, preventing him from delivering on his promises of growth. What reforms were carried out involving the curtailing of low-level corruption and removing price controls, actually increased dissatisfaction with the regime by removing the ability of average

Syrians to use the countries endemic corruption networks to some degree of personal advantage. The majority population moved to the use of networks that the state had expressly forbade and could not effectively monitor or control, such as extended family in other Arab states and Islamic NGOs abroad like the Muslim Brotherhood. This compromised Syria's state capacity, leaving its security services unable to control the coordinated violence that would eventually culminate in the Syrian Civil War.

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