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Before and After Uprising
Political Economies of the 2011 Uprisings

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Abstract

Many of the 2011 protestors in the Arab World focused on socio-economic grievance. Subsequent attempts at explanation have emphasized different economic rationales for revolt and rebellion. This essay argues those claims may mistake outcomes for causes. Specifically, the failure of economic development to meet expectations emerged over time due to a fiscal crisis of the Arab state. The historical inability and political unwillingness of rulers to tax and redistribute resources domestically has had wide-reaching implications for understanding the path to 2011 and afterward. The essay demonstrates the contours of fiscal weakness in the Arab World and suggests ways in which it shaped corruption, inequality, and labor insecurity, all prominent grievances on display well before the 2011 uprisings.

Keywords: Political economy, fiscal politics, rebellion, Arab World.

The Arab uprisings of 2011 are hardly over. Countries where protestors unseated veteran leaderships (Tunisia, Egypt, Yemen, and Libya[1]) continue fitful transitions. Where protestors failed to change leaders or violence erupted, the challenges to surviving regimes have not ebbed. Many of the grievances encouraging protest action remain in place. Among the more prominent complaints voiced across the region have been those that are socio-economic: jobs, corruption, education, and welfare. In fact, many have called what transpired in 2011 "bread riots," a term that links the events of 2011 to similar public protests in the region's recent past. Popular commentary on 2011 has emphasized the economic component of protestor demands in several ways. One set of claims ascribes the uprisings' start in Tunisia and Egypt to economic development, or modernization more generally, with the attendant health and

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[1] An important distinction to note in these cases is that Libya's leadership change occurred as a result of external intervention.

literacy gains.[2] A second argument credits the strangulation of economic freedom as generating uprising, or in the words of former World Bank President Robert Zoellick, "The late Mr. Bouazizi was basically driven to burn himself alive because he was harassed with red tape."[3] A third set of critical responses casts a pox on both houses, emphasizing the failure of neoliberal policies and increases in inequality and poverty as driving the protests.[4] A cursory review of the macro-economic data finds evidence for each of these claims. The Arab world has experienced economic growth and increased health and educational achievement, while income inequality has leveled off (or at least not worsened); however, country-specific indicators of poverty, related social indicators, and perceptions of inequality have worsened, particularly during the region's neoliberal period.

The argument of this essay is twofold. First, the effort to isolate an economic smoking gun to explain 2011 is likely a dead end because these arguments may confuse economic symptoms with political causes. The Arab world's achievement of economic growth but fitful productive socio-economic development fits well the "relative deprivation" or unmet expectation theories for 2011. In other words, generations of Arab citizens expected productive socio-economic development, and it was the failure to fulfill these expectations which led to the expression of frustration through political voice. But this begs the important question of why those expectations were unmet. Thus, the second claim of this essay is that the political economy roots of the 2011 uprisings can be found in a "latent fiscal crisis" of the Arab states.[5] Among the non-oil-exporting Arab states, the historical inability and political unwillingness of rulers to tax and redistribute resources domestically has had wide-reaching implications for understanding the path to 2011 and afterward. Well before the uprisings, fiscal weakness evolved—to varying degrees—into strategies of rule for many regimes; avoidance of domestic extraction purchased short-term political security at the cost of decades of boom and bust economic growth but little productive development. Periods of fiscal strain could be mollified with timely infusions of external finance and rent. The smoking gun, if it can be

[2] Dani Rodrik, "The Poverty of Dictatorship," *Al Jazeera English,* February 10, 2011, and Martin Wolf, "Egypt Has History on Its Side," *Financial Times*, February 15, 2011.

[3] Binyamin Applebaum, "World Bank and IMF Discuss Inequality in the Middle East," *New York Times*, April 14, 2011, B3. See also, Robert B. Zoellick, "The Middle East and North Africa: A New Social Contract for Development," speech at the Peterson Institute for International Economics, Washington, D. C., April 6, 2011, and Hernando de Soto, "The Free Market Secret of the Arab Revolutions," *Financial Times*, November 9, 2011.

[4] Timothy Mitchell, "Dreamland: The Neoliberalism of Your Desires," *Middle East Report* 29 (Spring 1999): 28-33; Walter Armbrust, "The Revolution against Neoliberalism," *Jadaliyya Online*, February 23, 2011; Austin Mackell, "The IMF versus the Arab Spring," *Guardian*, May 25, 2011; and Clemens Breisinger et al., "Economics of the Arab Awakening: From Revolution to Transformation and Food Security," *IFPRI Policy Brief* 18 (May 2011): 1-4.

[5] James O'Connor, *The Fiscal Crisis of the State* (New York: St. Martin's Press, 1973), 226.

found, has been around for a while. Seen from this vantage, informal markets and corruption did not infirm states, rather weak states fostered the conditions for gray market growth, and although some Arab regimes made promises that later fed unmet expectations, fiscal weakness impaired the ability to meet those expectations. Protests against corruption, inequality, and red tape may therefore share a common historical source, the politics of fiscal weakness.

There are three caveats. First, weakness here is not employed as a uniform or bivariate factor; rather it varies across and within particular country settings and the focus is on the financial dimensions of weakness and its effects.[6] Far from exceptional, Arab fiscal weakness follows patterns that can be found throughout parts of Latin America, Africa, and Asia.[7] Second, what is to be explained here is broader than the events of 2011 or why leaderships changed in some countries (Egypt, Tunisia, Yemen, and Libya) but not others (Jordan, Kuwait, and Syria). Protests infused with socio-economic grievance stretch back to the bread riots in the late 1970s in Egypt, appearing subsequently in Tunisia, Morocco, Jordan, and Yemen throughout the 1980s and 1990s. Any political economy understanding of 2011 requires recognizing and accounting for these long-run grievances and revolts. Third, pursuing the political economy roots of Arab revolt is only one path to unpacking the complexity of chronic rebellious situations. The type of structural considerations emphasized here fall short in explaining the timing and contextual importance of what transpired in different Arab countries. In the classic literature on revolutions, situations of revolt both evolve and are made.[8] A fiscal political approach provides a useful alternative to traditional theories of structural strain and yields important implications for what can be expected post-uprising.

The first section of the essay briefly reviews the socio-economic data surrounding the lead up to the 2011 uprisings to show how efforts to discover neat economic correlations fall short. The second section examines aggregate revenue and tax data from Arab states that demonstrate the contours of the region's fiscal crisis and link fiscal weakness to protest grievances concerned with labor insecurity, educational inequality, and corruption.

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[6] Conceptions of state strength and weakness have been richly debated in the literature. The conception employed in this essay follows the more dynamic treatment of state strength by Linda Weiss and John M. Hobson, *States and Economic Development: A Comparative Historical Analysis* (Cambridge, UK: Polity Press, 1997), 2-8.

[7] See, for example, Marcus Kurtz, "The Social Foundations of Institutional Order: Reconsidering War and the 'Resource Curse' in Third World State Building," *Politics and Society* 37, no. 4 (2009): 479-520, and Richard Doner, Bryan K. Ritchie, and Dan Slater, "Systemic Vulnerability and the Origins of Developmental States: Northeast and Southeast Asia in Comparative Perspective," *International Organization* 59, no. 2 (2005): 327-361.

[8] Theda Skocpol, *States and Social Revolutions* (Cambridge, UK: Cambridge University Press, 1979).

Deconstructing the Data: What We Know and Don't Know about Arab Economic Development

While the mass protests of 2011 were a surprise, the socio-economic conditions highlighted by protestors were not. What does the resident data tell us about the competing economic explanations for uprising? Setting aside for the moment concerns about the quality of data, there is a general consensus that, by the 1960s and 1970s, Arab countries had achieved respectable macro-economic growth. Growth was most rapid in the wake of oil price increases in the 1970s, but fell back compared to other regions thereafter. Table 1 defines the Middle East as Algeria, Egypt, Jordan, Morocco, Syria, and Tunisia.

Table 1. Growth Rate of GDP Per Capita

	1960s	1970s	1980s	1990s
Middle East	2.2	4.3	0.4	1.4
OECD	4.4	2.6	2.5	1.7
Latin America	2.5	3.4	-0.9	1.6
South Asia	1.9	0.7	3.3	3.3
Sub-Saharan Africa	2.6	0.7	-1.1	-0.4

Source: Marcus Noland and Howard Pack, *The Arab Economies in a Changing World* (Washington, DC: Peterson Institute for International Economics, April 2007), 47.

In the last decade, the entire Middle East and North African region averaged just over 2 percent per capita GDP growth, continuing the pattern of boom, bust, and stagnation. While the full repercussions of the 2008-2009 global financial crises are yet to be analyzed, the tentative assessment is that the region escaped significant macro damage. The IMF concluded that the Middle East was "recovering strongly" post-2009,[9] while external resource flows from oil prices to tourism were impacted only marginally and quickly recovered.[10] Moreover, despite the boom and bust characteristics of growth, attendant human development indicators, such as life expectancy, literacy, and education, improved relative to Latin America and East Asia.[11]

In the last twenty years of the region's neoliberal era, however, other indicators have become more mixed and contested. Inequality, as measured by GINI coefficients based on household consumption, has not lessened, nor has

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[9] *World Economic Outlook*, IMF, October 2010, 84.

[10] *World Development Indicators*, 2011, World Bank.

[11] Farrukh Iqbal, *Sustaining Gains in Poverty Reduction and Human Development in the Middle East and North Africa* (Washington, DC: World Bank, 2006), 21.

Table 2. GINI Coefficients (higher number, higher inequality)

	1980	1990	2000	2005 / 2007
Egypt	38	32	32.8	32.1 (2005)
Jordan	41	41	36.0	37.7 (2007)
Morocco	39	39	40.6	40.9 (2007)
Tunisia	43	40	40.8	na

Sources: *World Development Indicators*, World Bank, 2011, and Noland and Pack, *The Arab Economies in a Changing World*, 67.

it worsened systematically in the countries measured.

Comparatively, the region's GINI numbers are better than Latin America and sub-Saharan Africa and are similar to parts of Asia. Aggregate measures of poverty follow a similar pattern. Whether measured as the share of people living under \$1.25 or under \$2.00 a day, from 1981 to 2005, the Middle East witnessed steady declines in the number of people falling below these lines (respectively, from 7.9 percent to 3.6 percent, and from 26.7 percent to 16.9 percent).[12] But here is where we have to tread carefully.

Critics point out three primary problems with the data on inequality and poverty in the Arab World and the developing world, generally, problems foreshadowing similar issues when we come to fiscal matters. First, while poverty percentages have improved, the absolute numbers of people in poverty or at risk of falling into poverty have increased,[13] particularly since the start of the neoliberal era. Other social indicators related to poverty and inequality have increased. Official measures of unemployment among the Arab countries are the highest of any region, except sub-Saharan Africa, while youth unemployment and child malnutrition have reached "alarming levels" in the last several years.[14] Second, critics emphasize problems with data collection. For example, adequate time-series data since the 1970s for GINI coefficients is available only for Tunisia and Egypt (and non-Arab Iran), roughly 25 percent of the Arab World. Sources for GINI measurements in the region are based on periodic household consumption surveys, and, hence, there is a bias toward more equitable results, since richer households consume proportionally less

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12 *World Development Indicators*, 2011, World Bank, 66.

13 Iqbal, *Sustaining Gains in Poverty Reduction and Human Development in the Middle East and North Africa*.

14 Clemens Breisinger et al., "Economics of the Arab Awakening: From Revolution to Transformation and Food Security," *IFPRI Policy Brief* 18 (May 2011): 2, and Karen Pfeifer, "Does Structural Adjustment Spell Relief from Unemployment? A Comparison of Four IMF 'Success Stories' in the Middle East and North Africa," in *Earnings, Inequality, Unemployment and Poverty in the Middle East*, ed. Wassim Shahin and Ghassan Dibeh (Westport, CT: Greenwood Press, 2000).

of their income and save more than poorer households.[15] There is additional disagreement about how well such consumption-based inequality measures account for the size of households and distribution within households, or more broadly help to measure other forms of unequal socio-economic access.[16] Finally, critics point out that poverty-line measures ignore the context of poverty and inequality which are dynamic, not bivariate social phenomena, and are often linked to historically constituted perceptions of poverty, inequality, and fairness. There appears no easy trend; one can emphasize evidence to support both the argument that development has influenced uprising as well as the argument that failed development and neoliberalism has fed discontent.

Jettisoning the contradictory findings, however, would be a mistake. For one thing, poor and uneven data collection is an indicator of administrative and fiscal underdevelopment, a feature on display when Arab officials have provided contradictory, false, or unreliably collected data.[17] Second, the case-study literature provides good reasons for believing the numbers are accurate in terms of magnitude and direction; growth has occurred in hand with an increase in poverty and inequality. Case studies and the wider reach of public opinion surveys in Arab countries clearly demonstrate that publics over the last decades have been dissatisfied with their own standards of living and with the ability of their leaders to deliver productive economic outcomes. In particular, economic conditions and corruption regularly rank as the top two problems respondents identify in their own country.[18] Measurements of income inequality may not have worsened but middle- and lower-income earners seem to be more influenced by the fact that income growth has stagnated. The perception that economic gain is not equitably distributed and that a narrow stratum of society retains privilege while the majority of the population has fallen back has long been acknowledged by observers of the politics of economic development. It is no surprise then that the economic reform literature has come to conclusions that were already widely held in the region: growth has occurred but meaningful development has not because political rulers and their cronies have captured the benefits of the new economic openings.[19]

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[15] Branko Milanovic, *Worlds Apart: Measuring International and Global Inequality* (Princeton, NJ: Princeton University Press, 2005), 16-17, and Alan Richards and John Waterbury, *A Political Economy of the Middle East: State, Class, and Economic Development* (Boulder, CO: Westview Press, 1990), 277-284.

[16] Pfeifer, "Does Structural Adjustment Spell Relief from Unemployment?"

[17] Jordan, for instance, misreported its GDP figures to the World Bank on several occasions in the late 1990s. Wartime Iraq in the 1980s simply stopped gathering most socio-economic data.

[18] See the Arab Barometer Project.

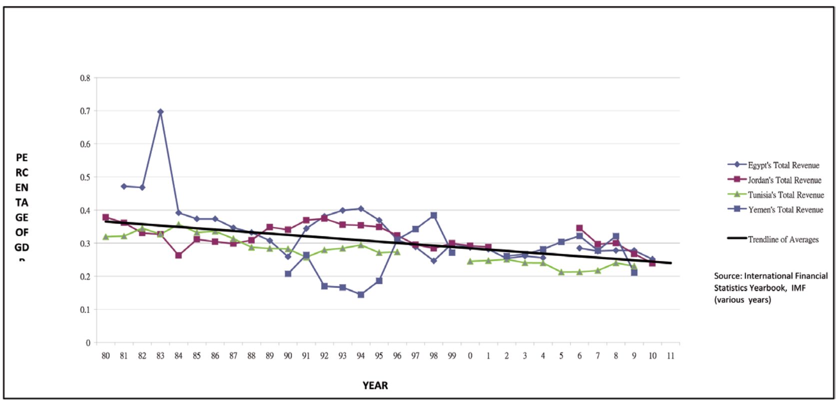
[19] There is a large literature here. Selective highlights since the early 1990 include, Iliya Harik and Denis J. Sullivan, eds., *Privatization and Liberalization in the Middle East* (Bloomington: Indiana University Press, 1992); Tim Niblock and Emma Murphy, eds., *Economic and Political Liberalization in the Middle East* (London: British Academic Press, 1993); Steven Heydemann,

Fiscal Crisis of the Arab State

Study of how a state collects and spends its revenues has a long tradition in the social sciences. Joseph Schumpeter termed the approach "fiscal sociology" and defined it as understanding the sources and effects of how a state collects its revenue.[20] In particular, social scientists and historians have focused on how state capacity is shaped by the level of state revenue over time and by the amount and type of domestic revenue extraction. Specialists on the Middle East have tended to focus on the external dimensions of state revenue (oil, aid, remittances, and the like) but have delved infrequently into the more difficult-to-measure domestic sources of Arab public revenue. But if we aggregate and examine all sources of Arab state revenue over time (figure 1), the beginnings of the Arab fiscal crisis come into view.

All four Arab countries in figure 1 (Egypt, Jordan, Tunisia, and Yemen) experienced steady declines in public revenue between 1980 and 2011, with Egypt losing almost half.[21] Most of the historical revenue spikes, particularly for Jordan and Egypt, correspond to external infusions of aid or debt forgiveness

Figure 1. Total Public Revenue in Selected Arab Countries, 1980-2011



ed., *Networks of Privilege in the Middle East: The Politics of Economic Reform Revisited* (New York: Palgrave, 2004); Clement Henry Moore and Robert Springborg, *Globalization and the Politics of Development in the Middle East*. 2nd ed. (Cambridge, UK: Cambridge University Press, 2010); and Rahab El-Mahdi and Philip Marfleet, eds., *Egypt: The Moment of Change (London: Zed Books, 2009).*

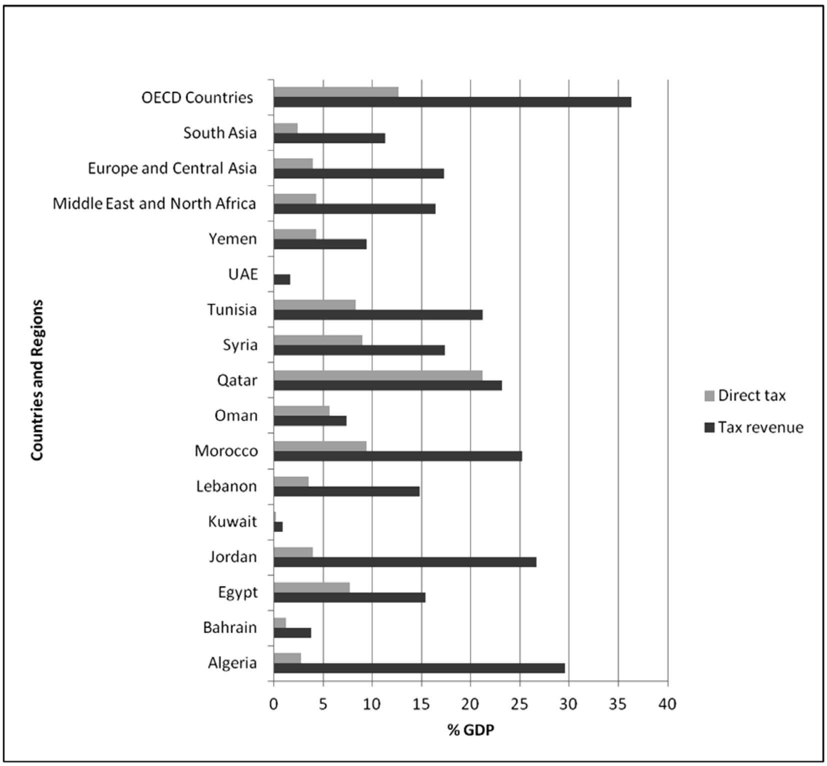
20 Joseph Schumpeter, "The Crisis of the Tax State," in *International Economic Papers*, ed. Alan T. Peacock et al. (New York: Macmillan, 1954). See also, J. F. Padgett, "Hierarchy and Ecological Control in Federal Budgetary Decision Making," *American Journal of Sociology* 87 (1981): 75-129, and Fred Block, "The Fiscal Crisis of the Capitalist State," *Annual Review of Sociology* 7 (1981): 1-27.

21 Samer Soliman, *The Autumn of Dictatorship: Fiscal Crisis and Political Change in Egypt under Mubarak* (Stanford, CA: Stanford University Press, 2011), 47.

from political patrons such as the United States. Yet even with external support, as Arab economies have grown, their public revenue collection has fallen behind. Shifting the fiscal lens to the domestic side of revenue extraction, the reported data become more suspect in accuracy but nevertheless illuminating.

A first glance reveals that the Arab states of the Middle East fail to capture much public revenue in taxation. As a percentage of GDP, the region falls short of the consensus 20 percent goal agreed upon by most developmental economists,[22] yet compared to South Asia and Central Asia, it does better. But like poverty and inequality data, revenue statistics from Arab governments should be taken with a grain of salt. If we examine what is reported as tax

Figure 2. Tax and Direct Taxes as Percent of GDP (2007)



Source: Henry and Springborg, *Globalization and the Politics of Development in the Middle East*, 77-78.

[22] Arthur Lewis, cited in Andrew Schrank, "Understanding Latin American Political Economy: Varieties of Capitalism or Fiscal Sociology?" *Economy and Society* 38 (February 2009): 55, and W. A. Lewis, *Development Planning: The Essentials of Economic Policy* (New York: Harper & Row, 1966).

collection by Arab governments, the total percentage over GDP is actually much lower than reported. For example, Algeria, the United Arab Emirates, Qatar, Egypt, and Morocco have at times reported as part of taxation revenue proceeds from state-owned monopolies such as airlines, communications, pension funds, mining, and so on. In the case of Lebanon, most observers agree that many of Lebanon's tax-collection figures are periodic voluntary contributions.[23] Another typical complication can be found in Jordan, where the Central Bank and the Ministry of Finance in the 1990s included fees and payments from state-owned enterprises (i.e., utility payments) as part of tax income. While a comprehensive regional review of the data is not presented here, it is reasonable to conclude that a more accurate measure of overall taxation in the Arab World is well below 15 percent of GDP. So, not only has public revenue been in decline as economies have expanded, but also domestic extraction has not kept pace.

However, fiscal politics is about more than just the level of taxation; it is also about the form because shifts in the level of tax collection may still conceal underlying structural weakness and inequality.[24] In other words, the political context of who is paying and who is not is quite important. Direct taxation—usually income collected at the source as opposed to value-added taxes, customs duties, or other forms of indirect collection—require the kind of deep roots in society coined by Michael Mann as "state infrastructural power."[25] Income tax, in particular, requires a high degree of supervision and information collection, which in addition to institutional challenge also entails a clear political challenge, since, in theory, direct taxes are progressive, falling more heavily on the rich than on the poor. Again, however, what governments report as direct taxation in figure 2 varies and is likely heavily regressive. For example, it is widely believed that Oman's and Qatar's reported levels of direct taxation are abnormally high because they include profits from state-owned mineral companies and levies on foreign corporations.[26] Samer Soliman's assessment of Egyptian tax policies found more than 60 percent of domestic revenue came from a regressive sales tax put in place in the 1990s.[27]

Even with the data restrictions, it appears that Arab states lightly tax their own citizens and corporations, and when they do, the burden falls heavily on the middle- and lower-income strata. At the same time, aggregate revenue has declined to those same states.

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[23] Henry and Springborg, *Globalization and the Politics of Development in the Middle East*, 76-78.

[24] John L. Campbell, "The State and Fiscal Sociology," *Annual Review of Sociology* 19 (1993): 166.

[25] Michael Mann, *The Sources of Social Power*, vol. 1 (Cambridge, UK: Cambridge University Press, 1986).

[26] Henry and Springborg, *Globalization and the Politics of Development in the Middle East*, 76-79.

[27] Soliman, *The Autumn of Dictatorship*, 117.

The Fiscal Road to 2011

What were the effects of weak tax regimes in the context of the lead up to the 2011 uprisings? Chronically underfunded public agencies supported by unequal tax collection compounded inequality and perceptions of corruption. At the same time, citizens, firms, and governments turned to compensation measures which ended up enhancing corruption and labor insecurity, all of which fed and spread the 2011 uprisings.

The steady entrenchment of weak Arab revenue extraction has shaped the unequal provision of public goods. Scholars of political Islam have long noted that general declines in state-provided welfare and health care explains part of the rise of Islamist parties since the 1980s. In other cases, states have outsourced distribution and welfare functions to their militaries.[28] Both coping measures have ended up reinforcing unequal access and increased social insecurity (if one does not have links to the security sector or access to Islamist or similar private welfare, poorly supported public systems are the likely option). And this context is vitally necessary to understanding the declining aggregate poverty measures reviewed earlier. Whether the level is \$1.25 or \$2.00 a day, the quality and level of public goods matters because \$1.25 means much more in the context of robustly funded government services (e.g., South Africa) than it does in the case of weakly funded public services (e.g., Egypt).[29] Education, in particular, is expressive of this trend. Though literacy has increased regionally, secondary education in the Arab world is poorly supported and decidedly unequal. Success in the 1960s and 1970s at increasing literacy in the region came about through early state investment and public funding, particularly in rural areas. However, those investments were of the fire-and-forget variety (termed "quantitative expansion of education"), not requiring sustained investments in the areas of teacher recruiting, training, and institutional upgrading. Poorly supported secondary education is the only option for the vast majority of the region's youth, while the privileged few access private, mostly British- or American-style, schools. Universities have likewise suffered, with even the private ones declining as a means for career advancement.[30] To make up for the public shortfall, it has become commonplace for many families to pay for extensive private tutoring. For example, Kahled al-Khamissi, in his book about taxi drivers in Cairo, records the quip of one cabbie: "Education for everyone, sir, was a wonderful dream and, like many

[28] Anne Marie Baylouny, "Militarizing Welfare: Neoliberalism and Jordanian Policy," *Middle East Journal* 62, no. 2 (Spring 2008): 277-303.

[29] Robin Broad and John Cavanagh, "The Hijacking of the Development Debate: How Friedman and Sachs Got It Wrong," *World Policy Journal* (Summer 2006): 23.

[30] *Arab Human Development Report*, 2003, United Nations Development Programme, 52-55. The region's most prestigious private universities, the American University of Beirut and the American University in Cairo, largely remain enclaves for the region's wealthiest.

dreams, it's gone, leaving only an illusion."[31] Because the same skills required to tax effectively are required "to develop the social and political bases of widespread skill formation," inequality in education is "simultaneously a symptom and a by-product of fiscal underdevelopment."[32]

Fiscal underdevelopment and inequality have also been intertwined with the status of labor in the region, an important factor in the recent uprisings. Figure 3 compares Arab labor protections within the region and with other regions.[33]

The de facto labor standard is a composite measure of collective labor rights, whereas de facto labor flexibility is a measure of the ease employers have to hire, fire, and change working hours. So, for example, the United Arab Emirates and Saudi Arabia have no stated labor rights, hence, they score zero on labor standards. While there is variation among Arab countries, on the whole, Arab labor rights are the weakest globally. One administratively low-cost exception in the region is public-sector employment which enjoys more protection but at the cost of modest pay and limited opportunities for upgrading. Overall, Arab states have abandoned their workers to the shadows of the gray market and to the insecurities of migration. When viewed through a lens of fiscal crisis, labor insecurity and migration appear as tactical adjustments.

Clearly, there are strong "pull" reasons for Arab labor migration—particularly to the Gulf states[34]—but there are equally good domestic "push" reasons for this dynamic because weak labor protection does double duty; first, conservation of capacity for more important domestic clients (business) and second as a way to compensate for weak financial redistribution and growing inequality. Labor flexibility, in particular, makes it easier to pursue remittance income. Remittances act like other forms of exogenous rent in that it generally comes tax-free and can make up for reduced domestic production and extraction, at least in the short run. States which export their labor as a development strategy (Jordan and Egypt, for example) are therefore less likely to put in place and enforce restrictions on employers. On the other end, the labor-importing Arab Gulf states have equally strong reasons to avoid enforcing standards that would make it harder to import and then deport their foreign workers.[35] Over the period from the mid-1970s to the mid-1980s, a

[31] Khaled Al Khamissi, *Taxi* (London: Aflame Books, 2008), 112.

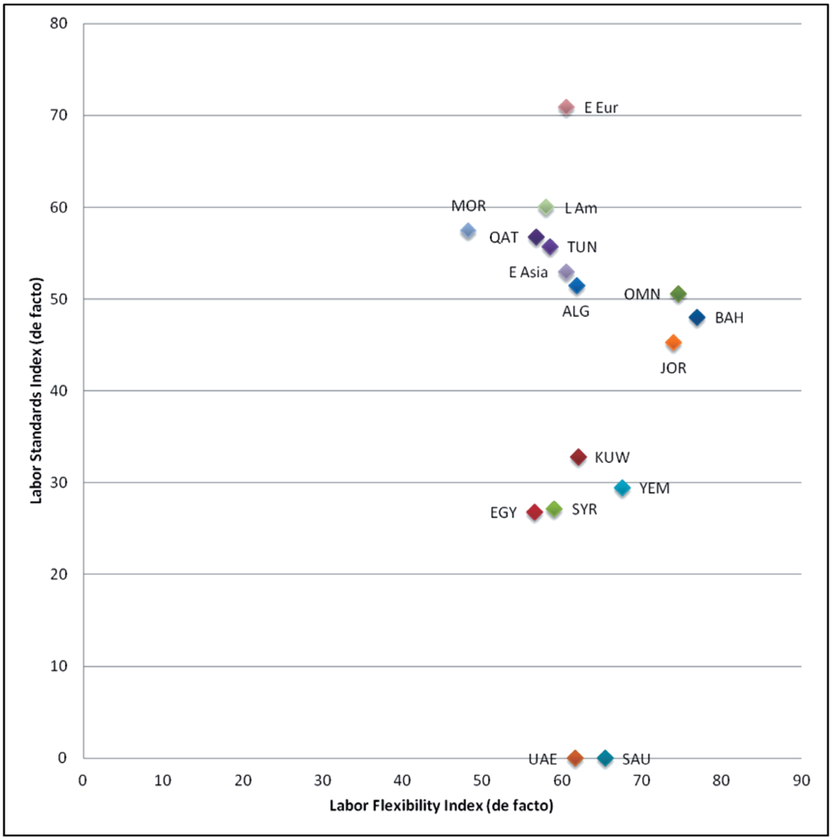
[32] Andrew Schrank, "Understanding Latin American Political Economy: Varieties of Capitalism or Fiscal Sociology?" *Economy and Society* 38 (February 2009): 57.

[33] Melani Cammett and Marsha Pripstein Posusney, "Labor Standards and Labor Market Flexibility in the Middle East: Free Trade and Freer Unions?" *Studies in Comparative International Development* 45 (2010): 250-279.

[34] The oversized Gulf oil economies are the most obvious pull factors.

[35] Foreign labor in the Gulf is regulated through the agency system in which labor rights are conferred through sponsorship by the local employer. This, in essence, is a subcontracting of the state's role in the labor market. With limited exceptions, laborers cannot enter or exit a Gulf country without permission from their employer, and nearly all interaction with central authorities goes through the employer.

Figure 3. Labor Standards and Flexibility, by Country and Region



Source: Cammett and Posusney, "Labor Standards and Labor Market Flexibility in the Middle East," 274.

third of Egypt's labor force was employed outside the country,[36] and by the new century, nearly 20 percent of the Jordanian and Lebanese GDPs were comprised of remittance income, the highest ratios in the world.[37] The longer-term effects of labor migration in the region are largely unstudied, yet it is possible to discern some subtle connections between decades of insecure labor migration and the intraregional spread of protest in 2011.

Among the early 2011 demonstrators in Tunisia, Yemen, and Egypt, organized labor was prominent. This continued a trend since the late 1970s of

[36] Joel Benin, *Workers and Peasants in the Modern Middle East* (Cambridge, UK: Cambridge University Press, 2001), 149-150.

[37] *World Development Indicators*, World Bank, May 2006.

increasing dissatisfaction with the lack of secure career opportunities within one's own home. In the Gulf, a chronic complaint against the ruling families has been the presence of large numbers of foreign workers and the perceived loss of local identity. Decades of intraregional labor migration linked these issues with labor rights, laying the groundwork for the regional permeability and transnational dynamics on display in 2011. Consider the situation of millions of young Arabs who were born in one part of the region, grew up in another, and who by the 2000s had likely worked in both of those places. Just since the late 1980s, the region has witnessed numerous forced migrations of labor. Baathist Iraq expelled a still unknown number of Egyptian workers at the end of the Iran-Iraq war. In the aftermath of the liberation of Kuwait in 1991, Gulf governments expelled hundreds of thousands of Jordanian, Palestinian, and Yemeni workers and their families—many of whom were born and educated in the Gulf. These groups were largely replaced with Egyptian, Tunisian, Moroccan, and Lebanese workers. By the 2000s, young Jordanian, Palestinian, and Yemeni workers had begun to make their way back to the booming Saudi and Emirati economies. An entire working generation with lived, comparative socio-political knowledge of a region of the world must, to some degree, be historically unique.[38] Not that this class of expatriate workers was core to the uprisings;[39] rather the point is that transregional generations of Arab workers could communicate and affirm shared socio-economic and political grievances. New media and communications technologies certainly facilitated the uprisings' transnational dynamics, but a foundational precursor was the long-term presence of Arab labor under no illusions that their rights at home were better than in other Arab countries.

Finally, the Arab World's fiscal weakness can help us understand the prominent role corruption complaints played in the protests in 2011. The expressed grievances were less against the kind of "red tape corruption" emphasized by Zoellick and more against the visible lack of enforcement and fairness. In its most straightforward formulation, fiscal weakness has meant that public-sector workers, while enjoying better employment security, do not generally garner decent wages and thus might be tempted to pursue informal means.[40] In a foreshadowing of Tahrir Square, eight thousand of Egypt's own tax collectors started sit-ins to protest low wages in December 2007.[41] Popular

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[38] A typical Western media trope has been to characterize Arab publics as uniquely uninformed or duped by state-owned media outlets. In this framing, the 2011 uprisings marked a breakthrough in which Western-supplied social media technologies opened Arab eyes.

[39] Western media were quick to highlight the role of Wael Ghoneim, an Egyptian Google employee in Dubai, who returned to Cairo in 2011 to participate in the protests.

[40] Ha-Joon Change, *Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism* (New York: Bloomsbury Press, 2008), 167.

[41] Jean Lachapelle, "Lessons from Egypt's Tax Collectors," *Middle East Report* 264 (Fall 2012).

anger toward the police in most countries in 2011 was driven as much by accusations of mistreatment as by petty corruption.

At a more macro-level, policies to compensate for fiscal weakness in urban areas helped fashion conditions for more overt forms of public-private corruption. Along with income and development gains in the 1960s and 1970s, Arab urban centers witnessed important infrastructure development. Yet, as financial decline set in and urban populations grew, these achievements quickly decayed by the 1990s. The neoliberal era and proliferation of new investment opportunities offered a chance to outsource urban investment to the private sector and various forms of foot-loose investment. In every Arab capital, free trade zones, upscale malls, ring cities, and exclusive parks have yielded new urban geographies,[42] with hugely profitable development projects awarded to the usual suspects. In between these luxury enclaves lie large tracts of decaying 1970s urban landscape where the majority of residents live (East Amman versus West Amman, downtown Cairo versus the new satellite cities, for example). Conditions of fiscal weakness helped Arab inequity go brick and mortar, giving urban populations no shortage of symbols for protest. In numerous instances, protests of regime corruption and cronies were shaped by geographies of inequality which linked to places, brands, and monopolies. In Tunisia, it was Leila Ben Ali's real-estate holdings, and "Mr. 10%" Slim Chiboub and his Carrefour grocery chain; in Egypt, it was Ahmed Ezz's steel and Mubarak's Palm Hills; in Yemen, the Salih family's trade monopolies; in Syria, it was Rami Makhlouf's mobile phones and hotels; and in Jordan, it is Marouf Bakhit and the Dead Sea casino. As well, it is worth noting that the Bahraini government's violent crackdown in 2011 began in earnest when protestors "crossed a line" and attempted to march to the financial district of the capital, Manama.

Conclusion

This essay has argued that analysis of the socio-economic sources of 2011 and their effects should include a fiscal political approach to the Arab states. To be clear, fiscal weakness is only part of a more complex narrative that is necessary to understanding the 2011 uprisings. The region's fiscal crisis helps explain the Arab world's uneven economic development, and connects that to the evolution of socio-economic grievances that are illuminated in the case-study literature and were given voice in the uprisings. Ultimately, the task will be to identify the origins of fiscal weakness and changes over time.

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[42] Christopher Parker, "Tunnel-bypasses and Minarets of Capitalism: Amman as Neoliberal Assemblage," *Political Geography* 28, no. 2 (2009): 110-120. See also, Soliman, *The Autumn of Dictatorship*, 125.

Regardless of origin, Arab state fiscal weakness carries at least two important implications in the wake of 2011. First, if the general diagnosis of regional state weakness is accurate, the uprisings are not spent. Jordan, Algeria, Morocco, and Palestine suffer similar effects of fiscal weakness as found in Egypt, Tunisia, Yemen, and Syria. Indeed, protests have continued in many of the countries that did not experience leadership changes, and fiscal weakness in the non-oil-exporters endures. External powers having nurtured weak Arab states through aid and the like, are unlikely to shift tactics and are more likely to return to these policies, thereby lessening the symptoms but leaving fiscal weakness intact. Jordan and Egypt, for example, have received timely infusions of this help from some of the Gulf Arab states and the United States. Second, in the countries where leaderships changed, new elites are likely to emphasize ways to turn back on the external revenue faucet and avoid domestic fiscal restructuring and the political costs that involves. In this way, none of the events of 2011 constitutes a "social revolution," where one might expect a renegotiation of the resident fiscal contracts which promised much but extracted little. Prior to his removal, President Morsi of Egypt made tax reform one of his campaign platforms but did little to follow through. Similarly, the new military government has been eager to accept external financing and help from the International Monetary Fund.[43] In general, the speed of political demands by a newly empowered citizenry might outstrip the pace of economic recovery and reform. Fears of precocious democratization could strengthen the old guard and arguments for limited liberalization. Under such conditions, the least costly and most attractive option will remain adherence to a strategy of weak fiscal rule as long as international legitimacy guarantees access to rents. Going forward, more investigation into the political economies of 2011 could be complimented by scholars and observers envisioning more participatory ways forward and what can be done with the opportunities mass political uprising have put on the table.[44] To a degree, transition to more participatory Arab politics will entail moves toward fiscal strengthening, yet a single path is unlikely, given the socio-political arrangements on which these institutions were built. Hope is there but it requires political work, at home as much as abroad.

[43] "IMF's Lagarde Concludes Egypt Visit amid Modest Protests," *Ahramonline*, August 22, 2012, http://english.ahram.org.eg/NewsContent/3/12/51011/Business/Economy/IMFs-Lagarde-concludes-Egypt-visit-amid-modest-pro.aspx (accessed September 14, 2012).

[44] One candidate could be Peter Evans' concept of deliberative development, which eschews the one-size-fits-all market logics of the past and envisions broader citizen participation around the ends of social and economic development. Peter Evans, "Development as Institutional Change: The Pitfalls of Monocropping and the Potentials of Deliberation," *Studies in Comparative International Development* 38, no. 4 (Winter 2004): 30-52.