1 *Neoliberal Authoritarianism in Contemporary Egypt*

The Purpose and Scope of the Study

Over the span of two weeks in mid-January 2011, reports of numerous self-immolations were surfacing in Cairo. On January 17, Abdou Abdel Monaam, a small restaurateur, set himself on fire in protest against a law preventing restaurant owners from buying subsidized bread, forcing him to buy bread at five times the subsidized price. On the same day, Mohamed Farouk Hassan, a lawyer, railed against rising prices before setting himself on fire. These immolations, clearly in emulation of the events that sparked the uprisings in Tunisia, sought to ignite the fires of popular protest against the Mubarak regime in Egypt.

On January 25, 2011, on a day intended to commemorate Egypt's police forces, tens of thousands of Cairenes flocked to Tahrir square in a self-declared "day of rage." The popular call of "*ash-shab yurid isqaat an-nizam*," meaning, "the people demand the overthrow of the regime," kept getting louder as the protest picked up momentum over the course of the day. A rare event in the Arab world, the escalating protests shook the foundations of the Mubarak regime, which had ruled for more than three decades. Those on the streets represented people from all walks of life: doctors, pharmacists, teachers, tax collectors, factory workers, tech-savvy youth, women and the unemployed. The outpouring of public anger that filled squares in the main urban centres was broadcast around the world by Al Jazeera. At least two sets of demands captured the media's attention: civil and political rights, and an end to police brutality. What the media did not sufficiently cover were the demands for "bread, freedom and social justice."

The Egyptian uprising fell closely on the heels of similar events in Tunisia, leading scholars and media commentators to try to identify the causes that could explain both cases. Ragui Assaad (2011) argued that Egypt was unable to turn its youth bulge into an opportunity owing to its inability to implement economic policies that would

https://doi.org/10.1017/9781108777537.001 Published online by Cambridge University Press

transform the youth bulge into human capital. Adeel Malik (2011) echoed this analysis and blamed the persistence of "a development model based on a leviathan state and greased by oil and aid windfalls." Ali Kadri blamed the uprisings on increasing unemployment, underemployment and inequality, resulting from failed economic policies, broken political institutions and a corrupt elite (Partridge, 2011).

While these analyses shed light on the conditions that afflicted the Middle East and North Africa region (MENA), we learn little as to how these conditions came to be, why they intensified over the past three decades and the relationship between market liberalization and worsening socioeconomic conditions and intensifying social conflicts. Focusing entirely on "Middle Eastern" factors disconnected from global developments ignores the fact that, soon after Egyptians occupied Tahrir Square demanding "bread, freedom and social justice" and an end to Mubarak's authoritarian regime, the Occupy Wall Street movement would occupy Zuccotti Park to protest increasing inequality and call for an end to corporate rule in the United States. In Athens and Madrid, the *Aganaktisménoi* (the Indignant Citizens Movement) and the 15-M movements were protesting the imposition of austerity in the wake of the global financial crisis. Far from being limited to Egypt or Tunisia, popular uprisings against what critics refer to as *neoliberalism* – and the dominant economic forces that imposed and benefitted from neoliberalism – really did seem to be "kicking off everywhere" in 2011 (Mason, 2012).

There is a need, therefore, to situate the region within the developments underway in the broader global economy. Doing so enables us to better understand the relationship between domestic processes of socioeconomic change and political conflict, and changes in global institutional structures and processes of capital accumulation. Ignoring the effects of neoliberalism on the region determines how we understand the prehistory of the Arab uprisings. Focusing solely on internal factors for the uprisings marginalizes the role of international actors – particularly the International Monetary Fund (IMF) – in the reshaping of the socioeconomic relations of Egypt. This book tells the story of the dramatic social transformation that took place in Egypt in the context of the development of new strategies of capital accumulation occurring under the rule of Hosni Mubarak. While not an analysis of the Egyptian uprising per se, the book focuses on the dispossession and the dislocations resulting from the neoliberal policies implemented at the behest of the IMF, the World Bank, and a rising class fraction of neoliberal oriented capitalists within Mubarak's ruling National Democratic Party (NDP) from the 1990s onward. While the Egyptian chapter of the Arab uprisings played out with its own national characteristics, it was very much a part of larger processes of change and contestation in response to decades of neoliberal globalization.

Capitalism and Democracy in Mubarak's Egypt

Under Mubarak, Egypt has undergone a dramatic process of economic liberalization in response to the economic crisis experienced by most states in the MENA region during the mid-1980s. During this period, most countries in the MENA were burdened with staggering levels of external debt resulting not only from trade deficits incurred through import substitution industrialization, but also from the aggressive monetary policies pursued by the US Federal Reserve – the so-called Volcker Shock of 1979–1981.[1] The second oil shock of 1979 aggravated this dramatic increase in debt, ensuring that it would escalate into a full-blown debt crisis. As a result, inflation, unemployment and poverty ensued. By 1986, Egypt's unemployment rate stood at 14.7 percent, its trade deficit stood at $1.3 billion and inflation reached 23.8 percent (Ikram, 2006, p. 211).[2] As a result, many commentators believed that the statist model of economic development put in place in many MENA countries after the attainment of independence was no longer able to deliver the goods to its citizens and became delegitimized in the eyes of reformers and citizens alike.

By the late 1980s, a new elite consensus – the *Washington Consensus*[3] emerged as the basis of the new development project of the international financial institutions. The Washington Consensus identified the postcolonial developmental state and its interventionist policies (extensive state

[1] The Volcker shock refers to US Federal Reserve Chair Paul Volcker's decision to dramatically increase interest rates, beginning in 1979. This was done in response to the decreasing value of the dollar over the course of the 1970s.

[2] During the same year, unemployment in Tunisia stood at 16.1 per cent, Morocco at 16.3 per cent and Algeria at 16.9 per cent (World Bank, 2018t). Growth averaged 6.5 per cent throughout the 1990s (World Bank, 2018f).

[3] The Washington Consensus was formulated by John Williamson in 1989–90 as a background paper at a conference at the Institute of International Economics with the main goal of assessing the relevance of development economics as it had been practiced in Latin America.

ownership, public subsidization of basic goods, wealth redistribution schemes, etc.) as the reason for the crises afflicting the Global South. To resolve these crises, policy-makers proposed numerous structural adjustment policies. First, dramatic reductions in public expenditure through a general tightening of fiscal discipline would eliminate deficits and lower outstanding public debt. Second, the privatization of state-owned enterprises and the elimination of public subsidies would create new markets in the private sector. Third, the deregulation of economic activity would increase business competitiveness. Fourth, the liberalization of interest rates would facilitate the growth of financial services in the private sector. Fifth, the reform of the tax system would reduce the economic costs of doing business. Sixth, trade liberalization would enhance comparative advantage, and decrease the costs of imports and outstanding trade deficits. Seventh, the liberalization of foreign direct investment would stimulate growth by opening the economy to foreign investors. Eighth, public funding for infrastructure, education and healthcare would increase economic returns and enhance income distribution. Ninth, a competitive exchange rate would stimulate export growth, helping to reduce the trade deficit. Finally, the concerted protection of property rights would send positive signals to foreign investors and stimulate growth.

Table 1 ***The Washington Consensus***

Policy	Intended Outcome
Fiscal discipline	Eliminate deficits and reduce public debt
Privatization	Attain fiscal discipline and create markets
Deregulation	Increase business competitiveness
Interest rate liberalization	Stimulate the growth of finance capital
Tax reform	Reduce the costs of doing business
Trade liberalization	Enhance comparative advantage and reduce trade deficits
Liberalization of foreign direct investment	Stimulate growth through foreign investment
Fund infrastructure, education and healthcare	Improve income distribution
Protection and enforcement of property rights	Provide security for capital
Competitive exchange rate	Stimulate the growth of exports

https://doi.org/10.1017/9781108777537.001 Published online by Cambridge University Press

This so-called consensus effectively rationalized policies that had already been imposed on countries in Latin America, starting with Chile after the coup that established the Pinochet dictatorship. Williamson effectively provided a coherent policy framework for the neoliberal model of development that would be imposed on the rest of the Global South over the course of the 1990s.

In response to this debt crisis, Egypt, as well as other MENA states like Tunisia and Morocco, implemented numerous structural adjustment programs (SAPs) intended to liberalize the economy. These SAPs were promoted by the international financial institutions that were instrumental in consolidating the Washington Consensus and bore a striking resemblance to the liberal reforms being pursued in other parts of the Global South, such as Mexico, Argentina and Chile from the early 1980s.

Many scholars of the Middle East viewed the neoliberal reforms of the period in a positive light, believing that they would resolve the economic problems of the region and promote democratization. There are two important elements to this literature. The economic argument rests on an assumption that markets are more efficient than the state in the allocation of capital, resources and labour. Against the statism of the postcolonial period, market-based development will result in higher levels of growth and job creation. The political argument rests on the assumption that promoting economic liberalization restrains state power – and the authoritarian tendencies of the Egyptian state in particular – and empowers civil society, which then becomes the agent of democratization.

The economic argument in favour of economic liberalization rested on the general belief that eliminating the constraints on capital – through both deregulation and privatization – would enable firms and entrepreneurs to respond to price signals, rather than political objectives, and increase the efficiency of their economic activity. This increased efficiency would lead to increased productivity, which would stimulate domestic and foreign investment. This increased investment would result in general economic expansion – both in the sense of growing existing businesses and creating new ones – and generate job growth, which would drive down Egypt's high unemployment rate and increase rates of participation in the labour market.

During the 1990s, the proponents of economic liberalization were numerous. Following in the footsteps of Francis Fukuyama's (1993) pronouncement that the collapse of Soviet communism was akin to the "end of history," numerous liberal economists celebrated the triumph of capitalism. The World Bank's resident economist in Egypt, Marcelo Giugale (1993) argued that structural reforms – entailing the removal of subsidies for consumer goods, privatization of public corporations and liberalization of trade and finance – were unavoidable if Egypt wanted to return to economic growth. Jeffrey Sachs, the architect of "shock therapy" in the former Soviet Union, promoted substantive privatization of Egypt's state-owned enterprises, arguing that such radical liberalization was Egypt's "only real choice" to grow its way out of an economic crisis that was the result of its post-colonial statist growth model. Once reformed, Sachs argued, Egypt "could well become one of the fastest growing countries in the next decade" (1996, p. 30). Waterbury and Richards (1996) lauded the prospect of economic liberalization in the Arab World and supported the Washington Consensus, believing that it would correct the failures of the growing trade deficit sustained by foreign borrowing that ultimately drove up inflation.[4] El-Erian and Sheybani (1997) argued that investment would be stimulated by reforms that increased the ability of firms to generate capital, access foreign exchange and repatriate profits. High levels of taxation, strict labour laws and other "rigidities" would discourage investment and undermine the prospects for growth. Alonso-Gamo, Fedelino and Horvitz (1997, p. 29) argued that "most of the empirical work performed so far has shown a positive impact of openness on growth." Excessive government intervention and price distortions from subsidies discourage trade and investment, and therefore growth and employment. More specifically, large public sector deficits "tend to slow down growth, by reducing available credit to the private sector and crowding out private investment" (Alonso-Gamo et al., 1997, p. 29). As such, they conclude that "the progressive liberalization process underway in the region could play a crucial role in raising the growth potential of Arab countries" (Alonso-Gamo et al., 1997, p. 27). Finally, Maskus and Konan (1997, p. 275) argued that "Egypt's greatest potential gains come from removing its administrative trade barriers while adopting globally free trade." All were in agreement that the general

[4] However, in the 2008 edition of their book, they confessed to uncritically supporting economic liberalization.

liberalization of the Egyptian economy was the only way to resolve the country's economic problems.

Other scholars viewed economic liberalization as a necessary and sufficient condition for the expansion of freedom and the curtailing of authoritarian state power. Insofar as economic liberalization imposes constraints on the state and empowers the forces of civil society, it was argued, market-led reforms weaken authoritarianism and strengthen democracy. In this sense, the proponents of liberalization in the MENA region resemble the proponents of democratization in other parts of the Global South that proliferated in the 1990s as part of Huntington's so-called *third wave* of democratization. For Harik (1992) and Luciani (1994), economic liberalization will undermine the rentier character of many Middle Eastern states, particularly those dependent on oil rents that support the repressive nature of these states. Henry and Springborg (2001, pp. 6–8) linked the lack of development in the region to the prevalence of bloated state sectors, dependence on oil rents, the power of authoritarian elites and the general weakness of civil society. Economic liberalization, they argued, would undermine the economic basis of patronage and clientelism that supports authoritarianism by eroding the regime's monopoly over resources and assets. Liberalization would, therefore, strengthen civil society and chip away at the crony capitalism rampant in the Egyptian economy. As the state recedes, a middle class grows in its place, which has an interest in further democratization. Insofar as capitalist forms of private property are at the root of liberalization, private property and privatization facilitate democratization. Beach and O'Driscoll (2003, pp. 27–28) viewed economic liberalization in Hayekian terms, arguing that it would bring "democratic capitalism to the Arab world" because the "system of private property is the most important guarantee of freedom, not only for those who own property, but scarcely less for those who do not." According to them, the wide dispersion of economic ownership (allegedly) constitutive of capitalism precludes the ability of any individual – or institution – attaining enough power to control the lives of others. In this way, capitalism is necessarily democratic.

However, the 1990s was a difficult decade for the MENA region and Egypt in particular. On average, growth rates were lower than they were in the 1980s, official unemployment remained high (8 percent in 1999) and income inequality remained higher at the end of the decade than it did at the beginning.[5] Indeed, after initially supporting the Washington Consensus, Richards and Waterbury (2008, p. 261) later argued that there was no "strong evidence that countries that embraced much of the Washington Consensus performed markedly better than those who eschewed many of the recommended changes." Politically, Egypt was not faring much better. The emergency laws that Mubarak implemented after the assassination of Sadat in 1981 were still in effect, the main political opposition – the Muslim Brotherhood – was still formally banned, hindering the competitiveness of parliamentary elections, and executive power remained unelected and unaccountable. On top of this, political tensions increased with the Luxor massacre in 1997.

During this time, some critical scholars pointed out that economic liberalization in the MENA region was neither reducing unemployment, poverty and income inequality, nor was it facilitating democratization. As early as 1995, Farsoun and Zacharia warned that increasing social polarization resulting from "increased inequalities among the social classes" will "undermine the social basis of democracy in the Arab world" (1995, p. 275). What is being established in the Middle East, they argue, is a process of "[e]conomic and political liberalization … imposed by ruling elites from above while the repressive state agencies that existed heretofore remain intact in the new electoral regimes that are used to suppress (and in some cases, as in Jordan and Morocco, co-opt) all opposition" (Farsoun and Zacharia, 1995, p. 277). In the case of Egypt, Mitchell (2002, p. 282) argued that liberalization "did not remove the state from the market or eliminate profligate public subsidies." Rather, "subsidized funds were channeled into the hands of a relatively small number of ever powerful and prosperous financiers and entrepreneurs." In the case of Tunisia, King (2003, pp. 3–4) argues that "economic liberalization … coincided with coalition politics that changed a populist authoritarian regime to one … designed to bolster large landowners and the urban bourgeoisie." As a result, "accelerated marketization in Tunisia has been associated with the hardening of authoritarianism" (King, 2003, p. 5). These critiques, however, were marginalized during the market-based euphoria of the 1990s.

[5] In 1990, the Gini coefficient was at 0.32 while in 1998 it had increased to 0.328, after a decrease in the middle of the decade.

https://doi.org/10.1017/9781108777537.001 Published online by Cambridge University Press

Resilient Authoritarianism and Networks of Privilege

As the time lag between economic liberalization and democratization in Egypt grew, and as the continuity of neoliberalism in the context of the post-revolutionary military rule of General Si-Si became increasingly clear (Joya, 2017), studies of "resilient authoritarianism" have become more prominent. Demmelhuber (2011, p. 146) argues that during the 1990s the Egyptian elite "recognised the desirability of reforms, but were concerned that these reforms might ultimately undermine their power, their privileges and their political logic of authoritarianism." In a similar vein, Wurzel (2009, pp. 98–99) argues that structural reforms have been "designed and implemented in order to stabilize the authoritarian regime in the face of increasing economic and political problems." In other words, political considerations took precedence over the proper implementation of the structural economic reforms needed to "lay the foundations necessary to make the national economy more competitive on the international scene" (Wurzel, 2009, p. 99).

In an earlier study, Albrecht and Schlumberger (2004) argued that the democratization literature is rooted in teleological assumptions of political development. Rather than asking why democracy has failed to take root in the Middle East, scholars should turn their focus to the persistence of authoritarian political systems. This process in turn requires shifting focus from searching for "changes in regime *type*" to "changes at the subsystemic level," that is, "changes *within* a regime" (Albrecht and Schlumberger, 2004, p. 385). Albrecht and Schlumberger identify five core strategies employed by authoritarian regimes to implement "change for stability" at the subsystemic level to "*foreclose the emergence of autonomous social forces*" (2004, p. 386 emphasis in the original).[6] This focus on subsystemic changes has given rise to the use of network analysis to demonstrate the ways in which

[6] The first is the establishment of structures of legitimacy and strategies of legitimation, which include the incorporation of a democratic discourse in daily political life. Second, the circulation of elites within the political system to ensure the existence of an adaptable ruling elite. Third, the creation of Western-style institutions – electoral laws, constitutional reforms, political decentralization and so on. Fourth, co-optation of potential social threats to the stability of the political order, such as trade unions, social movements and other interest groups and civil associations (including business associations). And finally, the use of external influences to transform constraints into opportunities.

the Mubarak regime controlled in reform process by co-opting the Egyptian business elite.

A network refers to a "regular set of contacts of similar social connections among individuals or groups" (cited in Wurzel, 2004, p. 102). Network analysts substitute "interaction" for individual action, owing to the extent to which individuals are "embedded" within their networks. This is meant to introduce an element of "sociality" that is said to be absent in traditional economic approaches to class. For Heydemann (2004), the networks of importance here are "networks of privilege." As the term suggests, networks are more fluid than relations of class, given the extent to which the latter are defined in relationship to property. In one of the more insightful network analyses of Egypt's reform process, Sfakianakis (2004, p. 78) argues that liberalization "provided space for new networks to emerge in an institutional and social environment that had long sustained privileged ties between business and state." The reform process, however, "did not operate as a zero–sum game pitting one set of business actors against others, based on their fixed positions within the Egyptian political economy" (Sfakianakis, 2004, p. 93).

The networks associated with Egypt's liberalization process are, therefore, highly fluid to the point where network analysis threatens to become a descriptive narrative of the rise of new elites within the various networks of privilege in Egyptian society, rather than an explanation. For example, Sfakianakis (2004) argues that once the "whales of the Nile" had used their access to the regime to benefit from liberalization, they then became opponents of further liberalizing reform. The members of this new network, argues Sfakianakis, sought to "delay economic liberalization but also to prevent competition outside their ranks from prospective domestic competitors" (2004, p. 93).

Yet this overstates the extent to which Egyptian business elites sought to stall further reform and obscures how the business opportunities pursued by these elites related to a broader regime of capital accumulation. What is absent from network analysis is an understanding of how these business networks are situated within the changing strategies of capital accumulation characteristic of Egypt's relationship to the global economy during the so-called globalization decade. As will be shown in Chapter 3, the liberalization process gave birth to a fraction of Egyptian capital that coalesced around the construction, tourism and real estate sectors. While network analysis sees this either as a relatively contingent outcome of the competition between networks of businessmen, or as a result of cronyism and authoritarian politics, it can be better understood as an emerging strategy of capital accumulation linked to various transnational interests that are dependent upon processes of what Harvey (2003) calls accumulation by dispossession, to be discussed in the section on "Accumulation by Dispossession."

There is, however, another sense in which the network analysis used in the authoritarian resilience literature fails to decisively break from the assumptions underpinning the earlier liberalization and democratization literature. Like the democratization literature, there is an implicit assumption that economic liberalization is supposed to empower the growth of an independent, democratically oriented business class. The fact that capitalist development has occurred under the auspices of the authoritarian regime of the NDP contradicts the fundamental contours of what Wood (1991, pp. 2–8) calls the "bourgeois paradigm" of capitalist development. For example, El Tarouty's (2016, p. 56) study of businessmen, clientelism and authoritarianism in Egypt is intended to show how "different types of co-option of parliamentary businessmen prevented them from playing a democratizing role, and thus helped renew Mubarak's authoritarianism." In this way, the resilient authoritarianism thesis seems to be the opposite side of the same coin as the liberalization/democratization literature of the 1990s.

Capitalism against Democracy

The problem with these responses, however, is that they fail to address the assumptions at the heart of their interpretations of liberalization and democratization. The literature on economic liberalization assumes that the neoliberal growth model is sustainable in the sense that it results in "inclusive growth." Rooted in supply-side economics, it presumes that granting capital greater mobility, access to resources and discretion over their workforce will result in a growth of investment that creates jobs and benefits workers, thereby decreasing unemployment and inequality. However, as some critical minded liberal scholars pointed out at the time, the 1990s was a period of dramatically rising inequality and discontent in the context of modest

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increases in growth across the globe – *despite* the dramatic increases in productivity (Rodrik, 1997; Stiglitz, 2002). This being the case, it stands to reason that the disappointing economic outcomes of neoliberal reforms may be a result of the reforms themselves, rather than their supposedly half-hearted implementation by corrupt regimes. After all, if income inequality was growing in the liberal democracies as well as in authoritarian regimes like Egypt, one can hardly explain the failure of neoliberalism as the result of the authoritarian sabotage of neoliberal reforms. Indeed, the argument of this book is that the persistent economic problems of contemporary Egypt are the product of the very neoliberal policies proposed by liberal reformers.

The democratization literature tends to equate the growth of market forces with the emergence of a proto-democratic *civil society* that will push for greater democratization (Wood, 1990). Economic liberalization will result in growing affluence among a nascent middle class that will push liberalization into the political sphere, thereby leading the movement for democratization. Organizationally, this entails the development of autonomous business associations that will champion democratization in the process of reform. At a conceptual level, this interpretation presumes a kind of spillover effect in which the removal of economic constraints will carry over into a dynamic of democratization. In this sense, the market is understood to be a realm of freedom *against* a coercive state (Nitzan & Bichler, 2002, p. 65). However, the formal separation between economic and political spheres (i.e., markets and states) obscures the extent to which capitalist social property relations are composed of power relations in themselves and that states in capitalist societies play a crucial role in maintaining those power relations (more on this in Accumulation by Dispossession). The assumption that civil society represents a coherent agent of social change with a commitment to democratization glosses over the divergent interests that comprise the groups within civil society and their relationship to democracy (Overbeek, 2000, pp. 173–174; Polanyi, 1944). While all civil society actors may have an interest in strengthening the rule of law and introducing a regime of individual rights that protect them from arbitrary state power, they may not all have an interest in *democratizing* the policy-making process or redistributing power within society. In this sense, what the democratization literature conceives of as democracy may be better understood as *political liberalization* – the extension of certain civil and political rights of *negative liberty*, but not necessarily the opportunities for participation in the political process or radical redistributions of wealth and power. In other words, political liberalization may accommodate certain political and civil rights, but not necessarily "bread, freedom and social justice."

In a more historical and empirical manner, other scholars have demonstrated that, even in Europe, democratization trailed the development of capitalism by approximately a century. When democracy was eventually institutionalized, it was in response to pressures from below, not by the initiative of liberal-minded elites acting out the logic of market reforms. Ruling elites were pushed to implement democratic reforms by grassroots agitation *against* the market, often by the working class. Therborn (1977, p. 3) points out that in nineteenth and early twentieth century Europe and North America, "prevailing bourgeois opinion held that democracy and capitalism (or private property) were incompatible." Far from initiating a bold new era of democratization against the established aristocratic order, the bourgeoisies everywhere "remained obsequious in their relations with the venerable notables of land and office" (Mayer, 2010, p. 79). As a result, European political institutions "were established by elites for the purpose of preserving and extending their social and economic power, and they were continually compromised and undermined by efforts to preserve privilege and to forestall the acquisition of power by subordinate groups and classes" (Halperin, 1997, p. 168). As a result, before 1945, Europe "in common with parts of the Third World … experienced partial democratization and reversals of democratic rule" (Halperin, 1997, p. 168). Even when liberal democracies were established in the twentieth century, political and business elites often sought ways to diminish the political power of the working classes that democratization entails by manipulating the formal institutions of democracy (Pilon, 2013).

We see a similar phenomenon in the Arab states of the Middle East in the late nineteenth and early twentieth century under colonial rule. Colonial powers such as Britain reproduced a colonial division of labour between itself and Arab states by "encouraging a more general economic development under the control of notable classes and foreign intermediaries" (Bromley, 1994, p. 107). In a comprehensive study of the state in the Arab world, Ayubi (1995) argues that the legacy colonialism in the Middle East is the existence of a weak bourgeoisie dependent on "compradour" capitalists during the colonial period. Playing virtually no role

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in the nationalist and democratic movements of the mid-century, they ultimately became dependent upon their own nation-states throughout the post-war period. This is not just a case of the missing bourgeoisie as an agent of democratization. Far from emerging as the leader of a nationalist movement for democratic independence, the Egyptian business class actively collaborated with the colonial authorities to benefit from the spoils of colonialism. As Vitalis (1995) argues in his study of Egypt in the 1930s and 1940s, the "politics of investment in Egypt was ultimately less a struggle between foreign and local capital than a conflict among local investors for access to resources and control over the rents represented by industry building" (1995, p. xii).

In light of these critiques of market forces and civil society, there is no reason to believe that economic liberalization will foster democratization. Indeed, some scholars have argued that as neoliberalism deepens it becomes increasingly authoritarian (or "post-democratic"), even in contexts where liberal democracy has been long established (Bruff, 2014; Cahill, 2014; Crouch, 2004). Bruff's (2016) conception of *authoritarian neoliberalism* is a useful corrective to the assumptions that underpin the resilient authoritarianism that has become prevalent in the scholarship of contemporary Egypt. Far from being an accidental consequence of "messy" neoliberal reforms, Bruff (2016, p. 107) argues that authoritarianism is endemic to the neoliberal experience, in the sense that "state-directed coercion insulated from democratic pressures is central to the creation and maintenance of this [neoliberal] political-economic order, defending it against impulses towards greater equality and democratization." One of the consequences of this notion of neoliberal authoritarianism is to "expand more traditional conceptualizations of authoritarianism to capture more appropriately contemporary processes" (Bruff, 2016, p. 107). Indeed, authoritarianism is not just about the exercise of arbitrary, brute force (of which there are plenty of examples in Egypt, detailed in Chapters 7 and 8); authoritarianism is also "observed in the reconfiguring of state and institutional power in an attempt to insulate certain policies and institutional practices from social and political dissent" (Bruff, 2014, p. 115). For example, in his 1996 address to the Egyptian Centre for Economic Studies, Jeffrey Sachs recommended that Egyptian reformers should not announce the reforms they seek to implement, "because that will invite opposition, and you will get antibodies all around to stop the process, and reform will never happen" (1996, p. 41). Instead, neoliberal reformers should "just do it." It is not surprising then that in the MENA region the authoritarian nature of the state continued to play a crucial role in the consolidation of neoliberalism throughout the 1990s and 2000s. When the demands of the Tahrir Square protesters evolved from political liberalization to demands for "bread, freedom and social justice," the threat to the economic interests of the dominant propertied class became apparent. Indeed, it is one of the central arguments of this book that neoliberalism in Egypt *required* the persistence of authoritarian rule and that in the initial phases of the Arab uprisings, neoliberalism was threatened by populist upheaval from below, until military rule was reinstated by General Si-Si and Egypt returned to the path of neoliberal development.

In the end, economic liberals were either blind to the dislocations caused by the neoliberal economic reforms they promoted, or they resigned themselves to the belief that such dislocations were the necessary means by which to attain the growth needed to build the affluent society they sought. However, in light of recent admissions by the IMF that neoliberal policies may have been responsible for exacerbating economic inequality and jeopardizing economic growth, this belief can no longer be seriously entertained.[7] Similarly, those espousing the belief that economic liberalization fosters democratization adhered to formalistic notions of procedural democracy that reduced democratization to the neoliberal notion of the "rule of law" and the Schumpeterian notion of elections between competing elites (Schumpeter, 1950). However, as economic policies in the liberal democracies of the West become increasingly shielded from democratic input, it becomes increasingly clear that neoliberalism – while promoting political liberalization – has only a contingent relationship with democratization proper.

Accumulation by Dispossession

Any analysis of the political economy of contemporary Egypt must proceed from an understanding of capitalist development. Far from representing a quantitative expansion of commercial or market-based activity, capitalism represents a qualitative transformation in the way

[7] See Ostry, Prakash and Furceri (2016). The IMF has also recently admitted that redistributive policies aimed at increasing taxes on the rich – that is, the very types of policies espoused by the *critics* of neoliberalism – will not damage the prospects for economic growth. See Elliot and Stewart (2017).

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markets function (Polanyi, 1944; Wood, 2002). As Polanyi points out, the markets of pre-capitalist societies remain "embedded" in non-economic social relations – such as custom and religion – and subordinated to the goals of preserving the social order. In a similar vein, Marx and Engels characterized the economic activity of pre-capitalist societies as being oriented toward the "[c]onservation of the old modes of production in unaltered form" (1967, p. 83). Because of the embeddedness in non-economic social relations, pre-capitalist social formations are oriented toward goals unrelated to the accumulation of profit, such as the normative characteristics of social life. For example, in Greco-Roman antiquity, Marx points out, that "[w]ealth does not appear as the aim of production . . . The enquiry is always about what kind of property creates the best citizens" (1964, p. 83). The importance of this observation is that traditional conceptions of property, of the land and of community often run up against the transformative nature of capitalist development in ways that tend to be highly disruptive to the inhabitants of those traditional communities.

By way of contrast, capitalism is composed of a system of social property relations in which the organization of social labour and the mobilization and distribution of resources are determined by the imperatives of profit maximization rather than by the concrete needs of a society. The "disembedding" of the market from non-economic social relationships does *not* mean, however, that capitalism is devoid of power relations; nor does the fact that workers under capitalism are juridically free mean that they are free from political forms of oppression. The state remains a crucial guarantor of capitalist property relations, often in ways that involve the use of violence and repression. In the case of societies undergoing a transition to capitalism, state-based violence and repression becomes a necessary means of expanding the market through the expropriation of small producers, and the boundaries between the coercive use of "public" power for private gain often become blurred.

The expansion of the capitalist market entailed acts of violence and coercion that are downplayed in liberal accounts of capitalist development (Hayek, 2014; Perelman, 2000; Smith, 1937).[8] However,

[8] For example, Hayek (2014, pp. 103–104) dismisses as "myth" the claim by Marx that "a propertyless proletariat is the result of a process of expropriation, in the course of which the masses were deprived of those possessions that formerly enabled them to earn their living independently."

https://doi.org/10.1017/9781108777537.001 Published online by Cambridge University Press

Marx (1976, p. 874) argued that capitalist property relations were the historical product of conquests, enslavement, robbery, murder and other acts of violent expropriation. During the last third of the fifteenth century,

> the great feudal lords, in their defiant opposition to the king and Parliament, created an incomparably larger proletariat by forcibly driving the peasantry from the land, to which the latter had the same feudal title as the lords themselves, and by usurpation of the common lands ... The dwellings of the peasants and the cottages of the labourers were razed to the ground or doomed to decay [to make way for the sheep walks]. (Marx, 1976, p. 879)

This process of "so-called primitive accumulation" also entailed the expropriation of church estates whereby "[t]he estates of the church were to a large extent given away to rapacious royal favourites, or sold at nominal price to speculating farmers and townsmen, who drove out the old established hereditary sub-tenants in great numbers, and threw their holdings together. The legally guaranteed property of the poorer folk in a part of the church's tithes was quietly confiscated" (1976, pp. 881–882). In this sense, Marx (1976, pp. 874–875) argued that "[s]o-called primitive accumulation, therefore, is nothing else than the historical process of divorcing the producer from the means of production." This pre-history of capitalism was therefore a violent process of accumulation through the enclosures of land, the commodification of resources and the transformation of non-market forms of use-value into value. Consequently, direct producers were rendered market dependent as non-market access to the means of production and social reproduction were removed.

At the same time, capitalism is an inherently crises-ridden mode of production, as Marx and Engels argued in *The Communist Manifesto*. In contrast with pre-capitalist modes of production, characterized by crises of supply, capitalism is uniquely characterized by crises of over-accumulation, in which the increasing productivity of capital coincides with its declining profitability. Harvey calls the over-accumulation of capital a condition in which "idle capital and idle labour supply could exist side by side with no apparent way to bring these idle resources together to accomplish socially useful tasks" (Harvey, 1992, p. 180). A crisis of over-accumulation results in "idle productive capacity, a glut of commodities and an excess of inventories, surplus money capital (perhaps held as hoards), and high unemployment" (Harvey, 1992, p. 181). Since the 1970s, the advanced capitalist economies of the West have increasingly experienced such crises of over-accumulation.

This "never-ending and eternal problem" for capitalism can only be resolved temporarily, and one of the means of managing such crisis is through what Harvey refers to as a "spatial fix," in which excess capital and surplus labour are "absorbed" through processes of geographical expansion. Liberalization in the Global South (in this case Egypt), is therefore not an automatic response to the failures of import substitution industrialization (which were also tied to developments in the West), but rather a political project to transform the conditions under which Western capital can be realized in the global periphery. The implication of this "globalization project" (McMichael, 2012; see Chapter 5) is that "non-capitalist territories should be forced open not only to trade (which could be helpful) but also to permit capital to invest in profitable ventures using cheaper labour power, raw materials, low-cost land, and the like" (Harvey, 2003, p. 139).

This spatial fix can manifest itself in different strategies of capital accumulation. The first, associated with the New International Division of Labour of the 1960s, facilitated the relocation of manufacturing capital to jurisdictions in the Global South characterized by cheaper labour, lax environmental standards and untapped natural resources. This strategy is associated with the development of export processing zones and other enclaves of export-oriented industrialization. The second is related to the decline of economic nationalism in the Global South and the rise of finance capital in the West (and more recently, the Gulf Cooperation Council). It is associated with the creation of real estate and housing markets, tourism sectors and investment in construction and the materials required for such sectoral development. Given the relationship between this strategy of accumulation and existing regimes of urban and rural property rights in countries that have experienced statist forms of development associated with economic nationalism or socialism, it is accompanied by processes of dispossession that affect workers, peasants and small farmers who benefited from land reforms and protected urban housing markets in the post-colonial period.

While these two strategies of accumulation are by no means mutually exclusive, the latter strategy is most closely associated with what

I refer to as the neoliberal fraction of capital within the NDP. It is not surprising, then, that the primary beneficiaries of many key neoliberal reforms were the construction, real estate and tourism industries, all of which had strong ties to the emerging neoliberal faction within the NDP. The coherence of this group and its relationship to this particular strategy of accumulation leads to its characterization as a "fraction" of capital. The liberalization process facilitated the creation of this neoliberal class fraction in a number of ways. First, the liberalization of urban and rural property markets opened up new opportunities for land speculation that brought construction, real estate and tourism together. Second, the privatization of state-owned enterprises enabled the acquisition of construction firms and cement and steel companies to be integrated into the financialized real estate economy. But it also enabled businessmen to buy up state assets either for the purpose of reselling at a profit or – and perhaps more important – for merely acquiring the land upon which those firms resided. In this way, privatization, coupled with liberalized investment laws and liberalized housing and land markets, opened Egypt up to a trinity of tourism, construction and real estate development.

There is, however, another side to these strategies of capital accumulation that are often not recognized in mainstream economics. This other side refers to the class-based component of these accumulation strategies – what Harvey calls "accumulation by dispossession" – in which assets – labour, land, resources, state assets and services – are released from communal regulation and into the sphere of the market where "[o]veraccumulated capital can seize hold of such assets and immediately turn them to profitable use" (Harvey, 2003, p. 149). As such, these assets "become commodified, thereby "opening up . . . new territories to capitalist development and to capitalist forms of market behaviour" (2003, p. 156). Crucially, for this study, accumulation by dispossession can occur either as a way of resolving a crisis of overaccumulation in capitalist centres or it can be carried out by "determined entrepreneurs and developmental states" who want to "'join the system' and seek the benefits of capital accumulation directly" (2003, p. 153). In this way, the developments on the ground in the peripheral areas of countries of the Global South – like Egypt – are related to the broader conjunctures of capital accumulation at the global level. Notable instances of accumulation by dispossession include the mass privatization of state industries in the socialist bloc after the collapse of the Soviet Union, and in China after its embrace of liberalization in the late 1970s. The crisis-ridden nationalist regimes of the Global South, such as Egypt, Syria, India, Mexico and Argentina also underwent significant processes of accumulation by dispossession under the auspices of IMF administered SAPs between the late 1970s and early 2000s. In many instances, these forms of accumulation resulted in widespread land-grabbing by global multinational corporations with the help of corrupt and authoritarian regimes. Finally, in the liberal democratic west, accumulation by dispossession assumed the form of the re-commodification of de-commodified public goods and services, a phenomenon that has only intensified since the global financial crisis.

While global capital – financial capital in particular – is increasingly mobile and free from institutional and spatial regulations, it is not the case that the state has retreated from economic life (Berberoglu, 1987, 2003; Gamble, 2009). *Disciplinary neoliberalism* is aimed at changing national constitutions, domestic labour laws, and property laws to lock in neoliberal reforms and make them difficult to reverse. At the domestic level, this has resulted in states shifting from Keynesian forms of market redistribution to neoliberal forms of market discipline (Gamble, 1988). In the case of countries like Egypt, this requires the wholesale transformation of the state and the development of practices of authoritarian neoliberalism – to be discussed at greater length in Class, State and Society in the Middle East. At the global level, the IMF, the World Bank, and now the World Trade Organization serve as "structures of harmonization of national policies" enforcing a politics of neoliberal convergence through the imposition of SAPs (Cammack, 2004; Overbeek, 2000, p. 177). As a result, neoliberalism has involved "extensive and invasive interventions in every area of social life," in the sense that it has imposed "a specific form of social and economic regulation based on the prominence of finance, international elite integration, subordination of the poor in every country and universal compliance with US interests" (Saad-Filho & Johnston, 2005, p. 4). In short, the expansion of the neoliberal project is paramount to generalizing the imperatives of the capitalist market and, in the process, creating a new set of rules and laws that sanction the newly created power of capital through increasingly disciplinary states.

Class, State and Society in the Middle East

An analysis of contemporary Egyptian capitalism requires both class analysis and a conceptualization of the state. As Marx pointed out, capitalism is a form of socioeconomic organization predicated on relations of class exploitation. Class, in this sense, is conceived as an historically constituted social relationship that is experienced as a relationship between those who either own or control resources and the means of production and those who must labour for a living.[9] In this sense, it is a relation of surplus extraction between a class of direct producers and a class of appropriators. Yet, classes are not monolithic and, as we will see in the case of Egypt, the dominant class tends to be organized along the lines of class "fractions" related to different sectors of the capitalist economy.

Through class analysis, the MENA region can be studied in the context of the development of neoliberal capitalism, and its impact on the states and social relations of the region. However, transposing Marxian conceptions of class analysis onto the Global South requires an appreciation of the specificity of the various social relations under study and their differentiation from the European context within which Marxism was developed. In particular, countries of the Global South, including those of the MENA region, are characterized by a greater role for the peasantry, for small independent producers, and for those working in informal urban labour markets (Alavi & Shanin, 1982; Bernstein, 2010; Shanin, 1972). In this way, their class composition tends to differ greatly from the so-called advanced capitalist economies of the West.

The groundwork for such class analysis in the scholarship on the Middle East and North Africa was laid by Hanna Batatu (1978, 1999) in his comprehensive studies of the evolution of the class structures of Syrian and Iraqi society throughout the nineteenth and twentieth centuries. Beinin's and Lockman's work has provided a wealth of information on the development of organized labour in the Middle East, with a particular emphasis on the tensions between state dominated trade union confederations and militant rank-and-file unionists that helps to dispel the myths of a passive Arab working class (Beinin,

[9] For an insightful conceptual discussion of class as an historical process and relations, see (Wood, 1995) Chapter 3.

https://doi.org/10.1017/9781108777537.001 Published online by Cambridge University Press

2001, 2016a; Beinin & Lockman, 1987). Ray Bush's work has focused on the evolution of class relations in the Egyptian countryside, particularly during the context of the liberalization of land tenures (Bush, 1999, 2002). From a more explicitly political economy perspective, Hanieh's work on the regional integration of the Gulf States into the global capitalist economy and the nature of capital accumulation in the Middle East as a whole has opened up important avenues for understanding the sociopolitical conflicts of the region (Hanieh, 2011, 2013).

When examining the development of capitalism in the MENA region through class analysis, it needs to be pointed out that there tends to be greater disunity and fractiousness among the propertied classes of the region. This fractiousness results in greater instances of intra-class conflict among competing *fractions* of capital. The reform process of the 1990s and 2000s exacerbated this fractiousness, ultimately resulting in the political conflict of the immediate post-2011 period.

In *The Eighteenth Brumaire*, Marx discusses the competition between various fractions of the capitalist class in nineteenth-century France in the context of the rise of Louis Bonaparte (Marx, 1973). In this sense, class fractions refer to "divisions within a class which are rooted in the differential position occupied by certain of its sections within the relations of production" (Göran Therborn, 1978, p. 157). This notion of class fractions has carried over into the analysis of the sectoral composition of capitalist classes in twentieth century Europe by a number of neo-Marxists, including Gramsci (1971) and Poulantzas (1973).[10]

More recently, Gramscian scholars working within international political economy have used the notion of class fractions in the context of neoliberal globalization. According to Van der Pijl (1989, p. 11), a class fraction is a group of economic actors within the propertied class that are "unified around a common economic and social function in the process of capital accumulation and sharing particular ideological propensities organically related to those functions." It is through organizing over a long period that a certain fraction gains dominance over others and plays a leading role in devising accumulation strategies

[10] For a critique of the Poulantzian conceptualization of class fraction, see Clarke (1978).

at the level of the state. While corporate elite networks facilitate the dominance of one fraction over other fractions of the capitalist class, "[a]ny formulation of the general capitalist interest is, however, always formulated from the perspective of what is only a section or 'fraction' of total capital, a fraction that has temporarily achieved a leading position within the capitalist class" (Apeldoorn, 2002, p. 26).

Within the context of Western capitalism, the relevant fractions of capital are often conceptualized in accordance with their sectoral location in the economy and their integration into the global economy (i.e., a functional and geographical differentiation). On the one hand, industrial or productive capital is differentiated from financial or money capital in relationship to their economic function. At a different level, national capital that is oriented toward the domestic market is differentiated from transnational capital that is oriented toward the export market. According to this formulation, national capital has different economic interests than transnational capital, and industrial capital has diverging interests from those of finance capital. Before the internationalization of capital, domestically oriented industrial capital was central to the development strategies of states in the MENA region and was "more embedded within society and its institutions, laws, regulations" (Apeldoorn, 2002, pp. 28–29). Given that its fate was "more directly tied to the fate of the populations who live in the spaces where industrial capital is located, and of the states that exercise political rule within those spaces," it was "oriented towards the principle of social protection" (Apeldoorn, 2002, p. 28). Managers of state-owned industries played a crucial role in carrying out development strategies and producing for the domestic market and supporting policies of economic nationalism, such as subsidies on basic goods. This fraction of capital was instrumental in guiding state policy in this phase.

By way of contrast, finance or money capital is disembedded from the society within which it operates; it is "abstracted from the production process" and comes to "express the power of capitalist property *outside of* and *external to* any specific process of commodity production" (Harvey, 1982, p. 284). As a result, the orientation of finance capital "tends to be organised around what Polanyi called the principle of economic liberalism," or what we are calling here, neoliberalism (Apeldoorn, 2002, p. 28).

While finance capital favours policies that reduce barriers to export markets, domestically oriented productive capital may feel threatened by the relaxation of trade barriers. This is where tensions can develop between the different fractions of capital. It is possible for economic reforms that benefit transnational financial capital to weaken domestically oriented fractions of productive capital. However, it is also possible for industrial capital, oriented toward the domestic market, to develop strategies of survival by establishing networks with finance capital. In this latter case, it is useful to recognize Chesnais' (2016) distinction between *financial capital* and *finance capital*. The former refers to "the simultaneous and intertwined concentration and centralization of money capital, industrial capital and merchant or commercial capital as an outcome of domestic and transnational concentration through mergers and acquisitions," and financial capital, which refers to "concentrated money capital operating in financial markets" (Chesnais, 2016, p. 5).

The strength of a hegemonic fraction of capital depends on the success of its dominant accumulation strategy. If transnational finance experiences a crisis, a window may open for a different fraction of capital to step up and determine a new strategy for accumulation. Under the hegemony of a new fraction of capital, accumulation strategies might be reformulated to reduce social tensions. However, global capitalism is a dynamic phenomenon, and the liberalization of trade and finance has repercussions on the configuration of class fractions. In this sense, Chesnais's conceptualization of financial capital – and its implications for the constitution of a hegemonic class fraction or power bloc becomes important. Chesnais (2016, p. 8) argues that, in "the context of the liberalization and globalization of capital, a merging of finance capital as 'process' *and* as 'power' has progressively taken place, leading effectively to the formation within states of a single power bloc." This process of competing and evolving class fractions can perhaps help us to understand the character of elite competition in Egypt during the period of economic liberalization.

In the context of Egypt, these fractions of capital tend to be organized into different political formations and business associations. National productive capital is organized through the Federation of Egyptian Industry (FEI). Formed in 1922, the FEI served to foster the development of an indigenous class of industrial capitalists. Under Nasser, the organization was subordinated to the developmental state by way of the Ministry of Supply and the Ministry of Trade and Industry to facilitate an industrial policy conducive to economic nationalism. During this period, the FEI president was appointed by the Ministry of Industry, the rationale being that the grassroots election of the presidency by the various member chambers would result in the dominance of one or two sectors of the economy. By contrast, the appointment of the presidency by the Minister of Industry sought to overcome these sectoral divisions in favour of a national economic vision. In the commercial sectors of the economy, the Federation of Egyptian Chambers of Commerce served a similar function and shared a similar organizational structure that subordinated it to the Ministries of Supply, Trade and Economy. Both organizations were oriented toward the import substitution industrialization developmental policy of the Nasser regime and therefore representative of national fractions of Egyptian capital.[11]

As a nationally based institution tasked with the security of the nation, the military – as an economic actor – has played an important role as a fraction of national capital in Egypt's post-war history. The most important conjuncture in the development of the military's expanding role in the economy was the 1980s when Egypt was integrated into the global economy. Through the Armed Forces Land Projects Agency, the military entered into joint ventures with private capital in agriculture and food production, port maintenance, urban planning, tourism, hotels and luxury housing, furniture, ship manufacturing and repair, technology and electronics and textile production. The expansion of the army's role in the domestic economy went hand in hand with its expansion in the political economy of the MENA region and the global economy. This period also tested the army's power when it faced competition by the newly emerging neoliberal class fraction around Mubarak. This expansion of the military's economic and political power reflects the evolution of the military as a fraction of the ruling class. With the historical legacy of one of the most significant Arab armies, the Egyptian military has experienced a process of fundamental socioeconomic transformation that has enabled it to accumulate power vis-à-vis other fractions of the dominant class.

The transnational, financialized fraction of capital, referred to as *neoliberals* in this book, is "composed of a tiny grande bourgeoisie

[11] For a more detailed discussion of both the EFI and the FECC, see Fahmy (2002), Soliman (1998), and Bianchi (1985, 1989).

intimately integrated into Western capital," whose interests and "dynamism rests essentially on the (rapid) accumulation of capital through service activity rather than through the exploitation of land or labor" (Farsoun, 1997, p. 25). Organizationally, this fraction of capital is represented by several private business organizations that emerged outside of the official state-dominated FEI and Federation of Egyptian Chambers of Commerce. The most important indigenous business association emerging out of the private sector is the Egyptian Businessmen's Association, which was formed in 1982 with the financial support of the Egyptian-American Businessmen's committee. More than one-half of its membership is clustered around construction, consulting and advertising, and tourism and transportation, reflecting the fact that "most of the investments of Egyptian businessmen are in consumer rather than productive sectors of the economy" (Fahmy, 2002, p. 170).

Alongside the Egyptian Businessmen's Association are three important joint business organizations that bring together Egyptian and American capital. The Egyptian-American Businessmen's Association was created in 1975 through an agreement between Nixon and Sadat; the American Chamber of Commerce was formed in 1982 under Mubarak, after a visit to Washington, DC, by Sadat just before his assassination; and the Egyptian-American Presidential Council, established in 1995 by an initiative between Mubarak and then U.S. Vice President Al Gore. These associations tied emerging Egyptian private sector business interests to American capital and played a prominent role in driving the liberalization process in the 1990s. For example, the American Chamber of Commerce was the official representative of the Egyptian private sector during the negotiations with the IMF and World Bank in the late 1980s. Other, less prominent Egyptian business associations partnered with international capital and forged ties to the neoliberal government of 2004 included the Egyptian-British Business Association and Egyptian-Dutch Business Association. Perhaps more significantly, the Egyptian-American Presidential Council, composed of equal proportions of Egyptian and American business representatives, sought to bring together the prominent Egyptian millionaires and the president of the FEI and bring them onboard the liberalization process. Controversially, the council strongly advocated for the elimination of subsidizes and the wholesale privatization of the entire Egyptian economy – policy proposals that were in line with the conditions of the loan agreement signed between Egypt and the IMF in 1991.

Finally, Islamist capital is organized in the ranks of the Muslim Brotherhood, which has financial links to states in the Persian Gulf. The socioeconomic profile of the Brotherhood as a class fraction is rather complex. On the one hand, the traditional leadership comes from the ranks of the large landowning class that was threatened by Nasser. On the other hand, it also enjoys support among private sector actors, including traders, and small and mid-sized manufacturers. By 1980, eight out of the eighteen families who dominated Egypt's private sector belonged to the Brotherhood, and their businesses constituted approximately 40 percent of private sector enterprises. The growth of this Islamist fraction of capital was facilitated by the creation of Islamic investment companies that were linked to the *nouveau riche* rather than to the older, elitist Brotherhood. In this sense, it does not fit neatly into the typology of class fractions as elaborated; rather, it seems to straddle both the domestic and transnational and the productive and financial categories. The ways in which the Brotherhood articulates this complexity and the form it has taken in contemporary Egypt will be discussed in greater detail in Chapter 6.

State-led industrialization empowered nationally oriented capitalists while marginalizing the merchants, traders and small business owners that formed the support base of Islamist organizations like the Muslim Brotherhood. As a formally banned organization, the Brotherhood was unable to form a legitimate business association to represent the interests of its members to the state. The Brotherhood persevered through charity work and by establishing economic ties with relevant Gulf States, Qatar in particular. In the current era of neoliberalism, where structural adjustment policies pursued by a financialized transnationalist propertied class fraction oversaw the dismantling of the statist model of nationalist industrialization, space has opened up for the emergence of the Muslim Brotherhood as a class fraction. Despite residual claims to being the stewards of an Islamic "moral economy" (Dalacoura, 2016), the Muslim Brotherhood has accommodated itself to neoliberal capitalism as a fraction of Egyptian capital vying for dominance within the state (Gerges, 2012). After the collapse of the Mubarak regime in 2011, the Muslim Brotherhood formed the Egyptian Business Development Association in an attempt to establish itself among the formal business community.

The ultimate goal of the competition between various fractions of capital is control of the Egyptian state. Within the Marxist tradition, the state "is never a neutral or passive mediator" (Therborn, 1978, p. 181), but rather plays a central role in the reproduction of social relations and is deeply implicated in the relations of exploitation, domination and rule. Against the proponents of pluralism (Dahl, 1961, 1973), therefore, the Marxist tradition insists that the capitalist state disproportionately represents the interests of capital against the interests of workers and social movements. Questions regarding the specific relationship between the state and the capitalist class resulted in the so-called state debate of the 1970s. The debate examined whether the state's role in the reproduction of capitalist social relations was the result of the "instrumentalist" relationship between the capitalist class and the state elite, or the structural dependence of the state upon the processes of capital accumulation (Miliband, 1969, 1970, 1973; Poulantzas, 1969, 1973, 1976). By the end of the 1970s, the Marxian position posited the "relative autonomy" of the state from capital as a means of acknowledging the structural dependence of the state on capital while recognizing the contested nature of the state apparatus itself (Esping-Andersen, 1976). This relative autonomy position came at a time when a reinvigorated Weberian position sought to reassert the autonomy of the state vis-à-vis capital, in a context defined by the increasing assertiveness – and political success – of capitalist business associations (Evans, Rueschemeyer & Skocpol, 1985; Nordlinger, 1982).[12]

Most of these debates on the state take the institutionally developed capitalist states of the West as a starting point. In particular, Weberian approaches emphasize the importance of bureaucratic rationality and administrative capacity. The administrative and institutional development of these states date back to the early modern period and continued throughout the nineteenth century (Anderson, 1974; Mooers, 1991; Wood, 1991). This process of bureaucratic and administrative development – in particular, the development of systems of public finance, public administration and judicial oversight – accelerated as a result of the two world wars (Halperin, 2004).

[12] For two substantive critiques of the statist approach, see Cammack (1989, 1990). For a discussion of the employers' offensive of the 1980s, see Hyman and Elger (1981) and Pontusson and Swenson (1996).

However, the states of the Global South – and the Middle East in particular – are the product of Western colonialism and have experienced processes of formation different to the states of Europe.[13] As the arbitrary product of colonial powers, the territorial integrity of such states was contested by competing centres of power in the post-independence period. The seizure of state power by revolutionary nationalist movements in Egypt, Algeria, Libya, Syria and Iraq, introduced ambitious projects of nationalist economic development, industrialization and political modernization. While the drive toward modernization and industrialization took the form of statist authoritarianism, the political institutions and administrative capacities of the Middle Eastern state remained weak and underdeveloped, as the old colonial apparatuses were abolished, and post-colonial elites struggled to consolidate their new institutions. In contrast with the charges of *oriental despotism* levelled at post-colonial Middle Eastern states by orientalist scholars (Wittfogel, 1959), this authoritarian tendency was a symptom of the institutional *weakness* of Middle Eastern states rather than an indication of their strength (Ayubi, 1995; Migdal, 1988; Owen, 2004).

In fact, the European notion of oriental despotism – applied in broad-brush fashion to almost all states of the East – is rooted in the propensity of authoritarian rulers to redistribute the surplus to the popular classes to maintain social order and preserve traditional socio-economic hierarchies. These authoritarian legacies have led liberal critics to lament the inability or unwillingness of Middle Eastern states to respect the rule of law and effectively enforce the rights of private property.[14] Chaudhry (1994, p. 3) argues that states in the Global South lack the administrative capacities to "regulate, define, and enforce property rights" and to "dispense law." Despite their strong appearance, their capacity to tax is "strictly circumscribed." This becomes a problem because to "successfully make the 'transition' to a market economy, these capacities become absolutely necessary." In a similar vein, De Soto (2001, p. 33) argues that states cannot effectively

[13] For a provocative treatment of the subject that treats European states as equally subject to institutional underdevelopment and colonial interference, see Halperin (1997).

[14] Such critiques can be traced all the way back to James Harrington's seventeenth-century critique of the Ottoman state, which he characterized as an "empire of men" rather than an "empire of laws." See Harrington (1992, p. 20).

act on behalf of capital in the absence of formal property rights and proper legal institutions. It is the tendency of authoritarian states to arbitrarily redistribute the wealth of society and violate the rights of private property that is the primary obstacle to capitalist development, not authoritarianism per se.

Recent developments in the MENA region constitute an integral part of the expansion of capitalism as a global system. The rise of a global neoliberal orthodoxy has facilitated the rapid transformation of social relations in the region over the past three and a half decades. Neoliberal globalization began to take hold in the region during the 1980s and the 1990s through a series of SAPs implemented in response to the crisis of Arab statism in the mid-1980s. As in the liberal democracies of the West, the emerging neoliberal orthodoxy in the MENA region did not entail a retreat of the state from the economy. Rather, the international financial institutions charged with global economic governance advocated a new role for the state. The World Bank outlines this new role in detail in its 1997 *World Development Report* called *The State in a Changing World*, in which it advocated a shift from the planned economies of the era of 'Third Worldism" to the free markets of the post-Cold War period (World Bank, 1997). This new role required states to provide infrastructure for private investors, to strengthen judicial institutions with the goal of enforcing the rights of private property, to promote of business friendly environments for the growth of private firms, to allow the unrestricted repatriation of profits, and to substantially open up the economy to the private sector.

This new role was only new, however, in cases where post-colonial states had engaged in paternalistic forms of statist economic development and social protection, such as in many Middle Eastern countries. The capitalist democracies of the West had long institutionalized property-based legal regimes and have a long record of enabling private sector development. In the MENA region, however, securing the absolute right of private property required a different kind of interventionist state that could legislate and act on behalf of capital rather than in the interest of Arab socialism or economic nationalism. In short, the World Bank was advocating for the creation of institutionally robust capitalist states in parts of the Global South where statist forms of industrialization once dominated.

For the World Bank the ideal state is a state that actively reproduces capitalist social relations by ensuring that the short-term interests of capitalists do not undermine the system of capital accumulation. The report points out that while "[s]tate dominated development has failed ... so will stateless development." Against the strictures of classical liberalism, the World Bank now recognizes that "[d]evelopment without an effective state is impossible" (World Bank, 1997, p. 25). The bank is advocating a larger role for the state in "*protecting and correcting markets*" (Panitch, 1998, p. 15). It could also be said that the bank is advocating a larger role for the state in *creating* markets in the first place. The state accomplishes this developmental role by maintaining a degree of relative autonomy from capitalists and their particularistic interests. To do so, the state requires the legal, bureaucratic and coercive apparatuses that can guarantee the continuation of the capitalist system regardless of who or what party is in power. Only by doing so will Middle Eastern states establish the "politically organized and legally defined stability, regularity and predictability in its social arrangements" that capitalism requires (Wood, 2002, p. 178).

For the proponents of liberalization, the task of a peripheral capitalist state is to overcome conflicts among elites and to institutionalize "a culture of the market" (Chaudhry, 1994, p. 7). The former task requires the creation of "alternative institutional mechanisms for resolving conflicts and the revitalization, creation, or legalization of corporate groups in civil society" (Chaudhry, 1994, p. 7). The latter task requires promoting and legitimizing self-interest as the motivating factor behind economic activity. Thus, the final prerequisite entails the redefinition of legal rights of individuals, which would replace precapitalist, communitarian notions of rights. These changes entail struggles over land, resources and space and involves local communities, workers, peasants and the unemployed against more powerful, organized groups of landlords and capitalists. As a result, this has been perhaps the most important and most contentious aspect of the transition to a market economy. De Soto (2001, p. 35) argues that the creation of capitalist property relations is "nothing short of a revolutionary process" as it is not merely providing deeds of ownership, but rather a process of linking property and social relations together in a web of market interdependence.

This takes us back to the process of accumulation by dispossession. In places like Egypt, Tunisia and Morocco, accumulation by dispossession was well underway by the mid-1990s. The privatization of state-owned enterprises, the deregulation of urban housing markets and the privatization of agricultural land subjected workers and peasants to increasing precariousness. This process of accumulation by dispossession entailed the "commodification and privatization of land and the forceful expulsion of peasant populations, conversion of various forms of property rights … into exclusive private property rights, suppression of rights to the commons; commodification of labour power and the suppression of alternative, indigenous, forms of production and consumption" (Harvey, 2003, p. 74).

From Dispossession to Resistance to Revolt

To insist on the compatibility of neoliberal capitalism and authoritarianism is not, however, to suggest that the authoritarian state remains a monolithic and all-powerful entity looming over a passive, subject population. Despite the tendency of scholars of authoritarianism to view the region as one "frozen in time and space, with passivity becoming tautological to an Arab characteristic," the Middle East, and contemporary Egypt in particular, remains a highly contentious political space, as the events of 2011 demonstrate (Gerges, 2015, p. 10). The uprisings in Tahrir Square did not erupt out of the nothing. Resistance to the kind of accumulation by dispossession discussed in this book was building over the course of the 1990s and 2000s. While numerous books have sought to analyse the "movements of the squares" as a form of "contentious politics" against the tendency of the theorists of authoritarianism to downplay the agency of Arab civil society, this book focuses on the resistance of those who, for the most part, have been written out of the Arab uprisings narrative: the workers, the peasants and the small tenant farmers. Conspicuously absent from both Gerges' (2015) and Lynch's (2014) collections is a recognition of the contentious politics between class actors in the Middle East. While Lynch's book contains one chapter on labour movements in the Middle East, neither study focuses on the struggles between tenant farmers and landlords in the context of agrarian transformation.[15] In this sense, the contentious politics dealt with in this

[15] This is despite the fact that Tarrow's (2011) work, from which the current wave of contentious politics is derived, discusses the phenomenon of the spontaneous peasant-based land occupation.

book are rooted in the experience of dispossession by essentially class-based actors. Arguably, the first and most articulate 'theorist' of contentious politics was Marx himself, with his insistence on the impact that class conflict has on shaping the contours of history.

This contentious politics occupies a broad spectrum of resistance. Some of this resistance assumes the conventional forms of working-class agitation: strikes, sit-ins, protests and violent confrontation with security forces. In the Egyptian context, the struggle of workers is compounded by the fact that they are struggling against their employers, the regime and the leadership of the official trade union movement, which, over time, has become integrated into the state apparatus. Thus, the resistance of workers includes the struggle to form independent working-class organizations such as free trade unions.

The resistance of the small producers of rural Egypt tends to be more disorganized, spontaneous and dispersed. As the cooperatives of the Nasserist era became integrated into the neoliberal project of agrarian transformation, the collective locus of rural life underwent a dramatic transformation. No longer vehicles of peasant organization against the depredations of landlords, the cooperatives became another institution of authoritarian neoliberalism, compelling the small producers of rural Egypt to voice their dissent in new and less organized ways as they faced the forces of dispossession.

Such forms of contentious politics and spontaneous resistance calls to mind the types of resistance engaged in by the artisans, plebeians and dispossessed peasants of early industrializing England, chronicled so vividly by E. P. Thompson (1963), or the rural protests and the 'primitive rebels' that formed the subject of the work of Hobsbawm (1971; 1969) and Rudé (1995). Hobsbawm (1971, p. 2) acknowledged the "undetermined, ambiguous or even ostensibly 'conservative' character of such movements" in the absence of any well-articulated ideology. This recalls Polanyi's earlier depiction of a "countermovement" against the expansion of the market, characterized as a "reaction against a dislocation which attacked the fabric of society, and which would have destroyed the very organization of production that the market had called into being" (Polanyi, 1944, p. 136). In a contemporary Middle Eastern context, Asef Bayat has written about the "nonmovements" that have emerged to help shape the contours of Arab society. Nonmovements "are the shared contentious practices of a large number of fragmented people whose similar but disconnected claims produce important social change in their own lives and society at large, even though such practices are rarely guided by an ideology, recognizable leadership, or organization" (Bayat, 2017, p. 106). While Polanyi's countermovement brought together working class and landed class actors – including members of the landed aristocracy – as "those most immediately affected by the deleterious action of the market" (Polanyi, 1944, p. 138), Bayet's nonmovement is populated solely by the "dispossessed," of the "quiet, pervasive, and enduring encroachment of the poor people on the propertied, the powerful, and the public in their quest for survival and bettering their lives" (Bayat, 2017, p. 106).

Sources

My intention in this book is to capture the contested process of political and economic change by bringing in the views and experiences of not only the elite, but also those of the peasants and workers as Egypt experienced deeper economic integration beginning in the 1990s. In this regard, qualitative approaches to political economy more adequately convey these contested processes than do the economic statistics provided by official statistics. The aim of the qualitative research component is to gain an in-depth understanding of how workers and peasants experienced the process of change that was triggered by the liberalization of land and housing markets across the country.

The research for this book is based on extensive fieldwork conducted in Egypt between 2005 and 2008 that consisted of extensive interviews with workers, peasants, government policy makers and representatives of the Muslim Brotherhood. These unstructured interviews were conducted over a period of four years (2005–8) in thirteen out of a total of twenty-seven Egyptian governorates, including Cairo. These interviews offer a window into how social agents experienced the changes in social relations that occurred as part of the strategy of accumulation by dispossession. The interviews also shed light on how these social agents, coming from different class backgrounds, interpreted the nature of the social change and how they viewed the role of the state and how they reacted to policies that changed their social status and the extent of control they exercised over their lives and communities.

These interviews are supplemented by an extensive analysis of a wide variety of official documentation produced between 1990 and

2010 by the Egyptian government and Egyptian state institutions, Egyptian businesses and international financial institutions like the IMF and the World Bank. Research of this documentation entailed archival work at the Centre d'Etudes et de Documentation et Juridiques in Cairo as well as the Social Research Centre of the American University in Cairo. Other official documentation was accessed in the archives at L'institute du Monde Arabe in Paris, France. These included Arabic, French and English language sources.

Structure of the Book

This book is not about the causes of the Arab Uprisings that deposed Mubarak in the early months of 2011. Rather, this book is about the broader historical changes underway in the contemporary political economy of Egypt. Suffice it to say that these changes provided fertile ground for the rising wave of discontent that ultimately brought down the regime in January 2011. However, how these dramatic socioeconomic changes related to the outbreak of the Arab uprisings in Egypt is no doubt a complex issue that must form the subject of its own study.

The book is organized into three sections. Chapter 1 provides a conceptual and historical background for the period of economic liberalization. They explore the processes of state and class formation through an examination of the Egyptian state and economy in the post-colonial period (1952), and the ways in which new class fractions emerged as a result of various economic models pursued by Egypt's post-colonial leaders (Nasserism, Sadat, and Mubarak). Chapter 2 examines the political economy of Egypt from the creation of the developmentalist state under Gamal Abdel Nasser to the rise of the market economy under Anwar Sadat. The chapter situates the shifts in Egyptian political economy within the context of global economic changes, shifting regional alignments and emerging class struggles. Chapter 3 – Mubarak and the Neoliberal Turn – charts the rise to power of a neoliberal class fraction that is closely associated with the policies of economic liberalization and state transformation. The chapter explores the accumulation strategies of this class fraction and the legal, institutional and economic reforms of the state that facilitated the accumulation of capital during these two decades.

Chapter 4 explores the evolution of the military as an increasingly cohesive class-based organization with aspirations to consolidate its economic and institutional power. Similarly, Chapter 5 examines the emergence of the Brotherhood as a politically marginalized organization rooted in a contradictory social base with historical grievances against both the state-oriented industrialists of the Nasserist period and the neoliberals of the Mubarak era. With ties to Qatari capital, the Brotherhood ultimately attempts to make peace with the emerging neoliberal order in the years before the uprisings. The chapter traces the Brotherhood's attempts to establish their influence within the economy in the late 1970s and early 1980s, despite their political marginalization from official state institutions.

The final chapters examine the 'contentious politics' of liberal reform (Gerges, 2015). Chapter 6 examines the impact of neoliberal reforms on workers over the course of the 1990s and early 2000s and chronicles the struggles of Egyptian workers – both inside and outside the official trade union movement – against the ongoing transformations of the labor market. Chapter 7 examines the states' sustained assault on the customary rights of the peasantry and on the traditional social relations that constituted the Egyptian socioeconomic order. As the most blatant instance of accumulation by dispossession, peasants experienced increased levels of exploitation and economic insecurity as their tenure rights were exterminated and as they became subject to state sanctioned expropriation. Finally, Chapter 8 explains the significance of this study for an understanding of the uprisings in Egypt and Mubarak's subsequent deposition in January 2011.