

American University of Beirut Institute of Financial Economics

Lecture and Working Paper Series No. 1, 2015

On Transition, Democracy, and Socio-Economic Justice in the Arab World

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“In the Wake of the Uprisings: Economic Development and Social Justice in the Arab World.”

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Today's discussions will take up three interconnected themes: the move from exclusive to inclusive growth, or how to achieve greater equality; the role of political actors of transition who will presumably attempt to implement measures of social justice; and, finally, the role of political Islam in social justice and development. Moves to greater equality, however defined, require a political leadership that is both willing and able to move in this direction. And in light of the expanding influence of strictly fundamentalist Islamist parties that have recently embarked on armed conquests in Syria and Iraq, understanding political Islam and its potential impact on achieving social justice is, I think, of crucial importance.

I am sure that at the end of the day all of us will have become wiser in comprehending the issues at hand, especially in what the concept of social justice implies. We may not, however, necessarily be in full agreement on the required conditions for achieving social justice in the wake of the Arab uprisings.

Developments since the first uprising in Tunisia in December 2010 do not augur well for the future: while Tunisia appears to be forging ahead successfully, the other countries where uprisings have occurred have been suffering from civil conflicts, the case of Syria being especially tragic. The outcome of these uprisings remains highly uncertain, and therefore there are major concerns as to whether the region is heading towards greater or less democracy, greater or less stability, greater or less socioeconomic social justice.

Should the democratic process actually take initial hold, as seems the case in Tunisia, it is important that the new political authorities ensure that this democratic process is sustained. This would require not only that the political actors be aware of, but also are able to implement the necessary developmental policy measures for moving forward in order to avoid falling into the trap of reversals, as has happened in other regions of the world where the attempted process of democratization fell through and was

replaced by new orders of autocracy. The experience of the failed attempts at democracy should be instructive.

Let us also keep in mind the so-called Arab exceptionalism taken up in the literature. Autocracy has been entrenched in the Arab region since independence. The region has lagged behind comparable regions in dismantling established orders and initiating the process of democratization. The uprisings may have opened the door to this process. But as of today one can say that with a few exceptions— Lebanon and Tunisia come to mind—autocracy continues to reign, though, of course, in varying forms and degrees from one country to another.

With the above in mind I would like to raise a few general questions and offer three sets of remarks that I hope will prove pertinent to today's deliberations.

The first question is this: Regardless of how equality is defined or measured, what is the relationship between equality and democracy? Does a more equitable socioeconomic development or a greater degree of equality necessarily translate into a sustained democracy (Boix 2003)? Historically, has this relationship been positive, though perhaps weak?

In the same vein, to what extent, if any, does the demand for democracy hinge on the degree of socioeconomic equality? In other words, once a certain level of equality is achieved, do we no longer need to worry about aspirations for political rights and freedom?

What role do the so-called emancipative values of post industrialization play in initiating democracy and sustaining it? Are societies in the first phases of industrialization less attached to individual freedoms than societies in industrially advanced countries? [Welzel and Inglehart 2006; for a review of these issues see Julian Wucherpfennig and Franziska Deutsch 2009, "Modernization and Democracy: Theories and Evidence Revisited" *Living Reviews in Democracy* democracy.livingreviews.org]. John

Roemer emphasized that “economic development must mean the advance of human society. Democracy will not produce justice until it has eliminated inequalities of opportunities for the acquisition of income and wealth” (Roemer 2014). But is democracy a necessary condition for achieving social justice? Should we take the position that political freedom or equal access to political participation constitutes an aspect of social justice?

What can we say about the Arab region? Was income inequality on its own a strong determinant of the uprisings? Or were other determinants, such as the demand for political freedom, more relevant? Should we consider inclusive growth as a necessary and important determinant of sustainable democracy in the post-uprising phase? How should national policy prioritize its focus on the various components of equality (equal access to education, health, and the acquisition of income)? Indeed, to what extent does the nature of the emerging political order after the uprisings matter to the question of social justice?

Our discussions today will no doubt throw light on these questions, and I hope the following remarks will prove helpful. They pertain to (a) factors underlying the uprisings, (b) the strong emergence of fundamentalist groups, and (c) economic and political challenges in the wake of the uprisings.

(1) I shall begin by observing that whatever the immediate triggers for the Tunisian and Egyptian uprisings, recent work on the Arab uprisings points to a gamut of interacting economic, political, and other underlying factors that have been building up over the years and eventually resulted in the unraveling of Arab autocracy, starting in Tunisia.

The sharp rise over the years in the levels of unemployment, especially youth unemployment, has turned out to be an important trigger of the uprisings. Some analysts point out that when economic growth faltered, as in the 1980s, implementation of economic reforms was uneven, hesitant, incomplete, and not infrequently accompanied by cronyism and

corruption (Ansani and Daniele 2012). Indeed, it is not only the impact of economic policies on growth performance and employment that should be considered, but equally, if not more importantly, that of institutions, both economic and political. Institutional performance, as has been argued, plays a determining role in explaining differences in per capita income outcomes (Acemoglu and Robinson 2008), and institutional performance in the Arab region has not generally been of high quality.

In 2005–2010 Arab youth unemployment reached very high levels, averaging more than 25 percent, and continued to rise in both 2011 and 2012 (ILO, 2013). This was the highest rate among various developing regions. This growing unemployment tended to weaken the regimes' hold on power and weaken its authoritarian bargain, especially in non-oil producing countries. In other words, the ability of the regime to trade off public goods and other economic benefits for political rights and participation diminished.

The Arab social contract, as some writers have called it, started to unravel at this point (Amin et al 2012). The significant impact of high unemployment—above 10 percent—as a factor underlying the uprisings has been corroborated by empirical work (Elbadawi and Makdisi 2013), and the unemployment channel appears to be particularly relevant to explaining revolutions in the low to medium resource-endowed countries such as Egypt, Tunisia, Yemen, and Syria; Algeria and Sudan are ripe candidates for change.

Certain writings have emphasized the persistently deep income inequality (Hakimian et al 2013, Bibi and Nabli 2010) and the exclusion of large segments of the population from the political process. The Arab ruling classes tended to co-opt big business by forging partnerships between high government officials and business tycoons who basically engaged in rent-seeking activities. In practice, this meant that a few groups were favored, and received the larger part of the benefits of growth to the relative exclusion of the majority of the populace. This phenomenon, it has been argued, bred

growing popular resentment, a matter to be elucidated in the presentations to follow in the first session.

On the basis of available data on inequality, mainly pertaining to income inequality, it would appear that compared to other regions, the Arab region ranks somewhere in the middle. For both 2010 and 2013 the Human Development Index adjusted for inequality in its basic dimensions (health, education, and standard of living), shows that the Arab region ranked above sub-Saharan Africa and South Asia but below Latin America, East Asia, and Europe and Central Asia. Looking at the Gini coefficient (the reliability of the measurements may not be very high), a similar story emerges. What is interesting is that among the Arab countries Egypt had a lower coefficient than the others, including those where uprisings had taken place.

Available data also shows the Arab region may have witnessed in past decades a very slow decreasing trend in income inequality. While this trend may not have been very significant (Hakimian et al 2013), nonetheless disillusionment with economic prospects led to what has been termed “unhappy growth” (Amin et al, 2012). No doubt economic inequality does feed political dissatisfaction, but the question is whether it has been one of the primary factors underlying the Arab uprisings or it has merely played a supporting role. The discussion to follow this presentation may clarify this question.

The third factor which I believe is of central importance, as amply demonstrated in the uprisings, is the deep thirst not only for socioeconomic advancement but also for greater freedom and political participation on the part of social groups that have felt excluded from the political process and suppressed by the regime.

Greater openness, both within the Arab region and with the outside world as a result of the technological advances in information, has been a helpful factor in this regard. It helps organizations of civil society, including those run by students, women, and other social groups, to press harder for political reform.

Further, societies located in democratic neighborhoods tend to be more susceptible to democratic transitions (EM 2013). Hence it can be argued that should the current Arab uprisings swell into a major regional democratic phenomenon, it might even spread to those societies that are highly resource endowed and that so far have remained, at least on the surface, unaffected.

(2) My second remark relates to the recent ascendancy of fundamentalist groups, in particular Da'ish (ISIS) and Al Nusra groups which, if sustained, renders the outcome of the uprisings totally uncertain. In particular the vicious Syrian civil war with no end in sight has so far resulted in Da'ish, or ISIS, gaining control of large segments not only of Syria but also of Iraq: this expansion has in turn triggered renewed armed foreign interventions.

We are all aware that religion, and specifically Islamic religious practices and/or traditions, have been invoked by a number of writers as promoting autocracy in the Arab region (e.g. Rothstein and Broms 2011, Chaney 2012). On the other hand many other researchers have refuted this assertion and shown that religion is not one of the factors that explain the persistence of the democracy deficit in the region (Kuru 2012, Maseland and van Hoorn 2013, and Elbadawi and Makdisi 2011, 2013). Rather we should look elsewhere for the explanatory factors, including the abundance of oil resources and a persisting conflicting regional environment, with their attendant foreign military and political interventions. This is a separate subject that lies outside the purview of my remarks.

But, of course, as pointed out by some authors (Aldashev, Platteau and Sekeris September 2013) religion can be employed as an instrument to promote authoritarian rule: clerics beholden to the ruler, especially in oil rich countries, have played and continue to play the role of defenders of the status quo. Indeed Da'ish and similar organizations have advanced the

instrumentalization of religion to much higher and brutal levels in an attempt to achieve its political goals.¹

It seems to me that, unless contained and reversed, the ascendancy of such strict fundamentalist groups constitutes an unprecedented and huge reversal of potential democratic transitions. If sustained, these movements will require a new assessment of the concept of social justice.

But major questions arise in relation to these groups, which the presentations in the second session will clarify as they place the role of political Islam in social justice and development in its proper perspective.

Do the rising fundamentalist groups represent a response on the part of poorer segments of the population to political and economic exclusion? Are they simply the product of a strict fundamentalist ideology, and/or certain fundamentalist regimes and/or foreign powers that initially wished to use them for their own ends? Do they constitute a response to past Western colonialism and continued interventions in the affairs of the region?

Perhaps a combination of all these and other factors explains their rise to power to such an extent that the United States and other Western countries now consider them a threat to their own national interests.

I assume that the recent successes of fundamentalist groups constitutes only a passing phase and that following the Tunisian experience the other uprisings will yet open the door to a genuine democratic change at home. I hope I am right. Admittedly, the spread of democracy to other parts of the Arab world may require a longer time, awaiting the emergence of supportive conditions that would permit a move in this direction which may very well be gradual in nature.

¹Some writers caution that in contrast with Islam which, as a religious faith, is compatible with democracy, Islamist fundamentalism is not: Islamist movements may embrace ballots but merely as a political exigency while continuing to reject the concept of political pluralism that underlies democratic governance (see Tibi, 2008.)

(3) My final remark relates to future economic and political challenges.

The experiences of other regions teach us that the consolidation of a democracy is not a foregone conclusion. For this consolidation to take place, a number of challenges need to be met. I would like to conclude by pointing out a few that I believe have a direct bearing on today's meeting.

A major challenge, commonly agreed, is the willingness and ability of the political victors in the countries that manage to break the hold of autocratic rule to establish, or move in the direction of establishing, genuinely representative, accountable, and transparent political institutions. The new political actors would be expected to guarantee basic human rights, primarily freedom of expression and free choice, provide the opportunity for the most disadvantaged groups to participate, institutionalize their rights to make choices and challenge public policies, and to hold governments accountable. These institutions would be expected to work at achieving a more equitable development. The presentations in the third session will, I presume, elaborate on the means and mechanisms that might lead to such an outcome.

If such institutions, alongside civil society promoters of democracy, are established and become operable and secure, whereby the toppled elite is not merely replaced by a new elite with a similar pattern of behavior, then I don't think we need fear an initial electoral success of particular politico/religious groups. Under these circumstances their initial success can later be democratically contained, if not reversed, especially if they fail in governing. Developments in Tunisia represent a very encouraging demonstration of this matter.

A second challenge to the consolidation of the democratic process is the ability to frame and implement a broad and inclusive long-term socio-economic strategy: this strategy should create expectations that growth, expanding employment opportunities, fairness, and equity will play a

major role in the transition to a new economy, implying modernizing the public sector and eliminating its “elite capture.”

The record of democratic transitions elsewhere shows that they resulted not infrequently in economic recessions which either derailed or potentially could have derailed the process of substantive political reform. Of note are studies showing that transition countries that succeeded in implementing socioeconomic reform have forged ahead economically more than those that failed to do so (Amin et al 2012).

Doubts may have grown as to whether the path to democracy initiated in late 2010 will be consolidated in the foreseeable future on a region-wide basis. Fears exist that resistance to democratic progress stemming from prevailing economic and political realities (not least of which is the persisting conflicting regional environment with all its implications) might succeed in forestalling this progress.

I am optimistic, however, that following the Tunisian example, the Arab world will yet witness substantive democratic breakthroughs, though their time horizon will differ from one Arab country to another. This, it seems to me, is the logic of history.

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