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Consolidating the Transition to Democracy

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Introduction

During the last two decades, and up to the uprising of December 2010, repression was growing at all levels of Tunisian society, elections were tightly controlled and political freedoms were suppressed. In parallel open corruption, mainly at the highest level of government became part of daily life and constituted a threat for a large part of the population, including the private entrepreneurial class, the natural ally of the regime. At the same time, social and regional disparities were increasing, and unemployment, especially among the youth, was persistent, averaging about 30 per cent in the period 2007–10. All these factors combined to create mounting tensions and widespread discontent culminating in a general uprising, which forced the president, Ben Ali, to leave the country on January 14, 2011. It was a sudden and quick end to his regime and the beginning of a long and uncertain period of transition. After three years of profound uncertainty, the adoption of a new constitution and the appointment of a new technocratic government in January 2014 marked a major breakthrough and was a historic moment. The transition process culminated in the successful free election of a parliament and of a new president in the last quarter of 2014, in accordance with the rules set down in the new constitution. These elections consolidated the foundations of the political transition but the transition process is still in its beginnings, the remaining and decisive phase is the social and economic transition. Democracy will not be sustainable if serious social and economic issues are not resolved.

The risk of a set-back is less than it used to be a year ago, but cannot be dismissed because the revolution was not led by a unified leadership with a well-defined social and political project, and the political leadership that first emerged after the removal of Ben Ali was fragmented and had contradictory objectives. Many splits and conflicts that had remained dormant before these events took place also emerged. Consequently, the building of institutions has proved to be a time-consuming and complex process, proceeding in a very uncertain environment and according to only

vaguely specified rules. It is therefore not surprising that a consensus on institution building was hard to attain. The political parties (that is to say, the Islamist Ennahdha, the Congress for the Republic and Etakattol, being the main parties under consideration) which emerged after the first elections in December 2011 and formed a government coalition were unable to meet the expectations either of the youth or the rest of the population. They were dominated by the Islamist party Ennahdha whose main objective was to lay the foundations for an Islamist State and to gain control of the institutions of the state.

Nevertheless, it has become clear that an autocratic regime dominated by a single party could no longer be sustained in Tunisia, for it would only lead to more political and social instability and to renewed unrest, which Tunisian society could not support for very long. Thus, as we will argue below, the only potentially stable state in Tunisia is a democratic regime; the issue that needs to be addressed is the convergence towards this stable state. The adoption of the January 2014 constitution and the democratic election of the current government has already proved to be a major first step in the right direction.

The purpose of this paper is to analyze the prospects for a successful and consolidating transition to democracy, given the fundamentals and the factors underlying the Tunisian uprising. It is organized in two sections. In the first section, we study the process and the main explanatory factors underlying the uprising and the overthrow of the Ben Ali regime. In this context, we examine the probable factors that have combined to halt the democratization process, during the period from Tunisia's independence (in 1956) up to the end of 2010, and those that explain the overthrow of the autocratic regime. In the second section, we analyze the path of the transition to democratization and describe how the country went from chaos to consensus and successful free elections.

Factors underlying the overthrow of the authoritarian regime

The analytical framework

Several waves of democratization involving tens of countries have recently occurred across the world, mainly in the 1980s and 1990s, but not all of them were successful. For instance, Brazil, Chile, Spain, several Central and Eastern European countries and Indonesia, experienced a successful transition to democracy. Russia evolved towards an intermediate quasi-democratic state, while Pakistan has stayed off the path towards democracy. A number of studies and competing theories have proposed explanations for the determinants in the overthrow of authoritarian regimes and the eventual success of the transition to democracy. In this section of our paper, the focus is on the factors underlying the overthrow and the beginning of the transition phase in the case of Tunisia. The main question is: what led to the uprising and the collapse of the old regime?

Gleditsch and Choung (2004) argue that unequal economic growth influences the stability of autocracies and increases the likelihood of crises in general. Freund (World Bank, 2011) shows that a set of economic and social factors, such as the lack of natural resources, increasing income levels, urbanization and gender equality, increase the likelihood of transition incidence. According to the traditional ‘modernity’ theory advanced by Lipset (1959), democracy is ‘secreted out of dictatorship by economic development’. Acemoglu, Jonhson, Robinson and Yared (2008, 2009), argue that although income and democracy are positively correlated (in the long run), there is no evidence of a causal relationship between them; which may be seen as a critique of the Lipsetian theory. Elbadawi and Makdisi (2013), argue that economic development variables remain important determinants of the transition to democracy in the long run. They also show that the level of unemployment is particularly relevant for explaining recent Arab revolutions (in Tunisia, Egypt and Yemen), but for the Arab region as a whole they fail to explain the Arab democracy deficit

relative to other comparable regions (or to the Arab exception). Rather, ‘oil and conflicts and their interactions appear to explain this persistent deficit’ (Elbadawi and Makdisi, 2011).

Raj M. Desai et al. (2009), postulate that Arab rulers have for the last decades regarded their people as their subjects and in order to secure their loyalty and make them accept all political restrictions they have provided them with government jobs and a generous welfare state (education, health, subsidized foodstuffs and transportation). It would appear that in Tunisia, and in many Arab countries, for near half a century this trade-off between political rights and welfare, the so-called ‘authoritarian bargain,’ was popularly ‘accepted’ or at least not rejected but, more recently and especially in the last decade (2001–10), it has become much harder to sustain. In particular, the rapid growth of the labor force and of the number of university graduates meant that the state could no longer secure government jobs for these groups. As a result, youth unemployment and anger reached uncontrollable levels leading to widespread popular demands for change.

In fact, in the case of Tunisia, both the authoritarian bargain hypothesis and the Lipsetian modernization theory provide useful insights, but neither of them provides a full understanding of the mechanisms behind the overthrow of the former authoritarian regime. Acemoglu and Robinson (2012), present a different framework and a new perspective, but is still insufficient for understanding the transition process. However, it is possible to adapt and integrate these three points of view within a more comprehensive framework.

Acemoglu and Robinson (A&R), argue that inclusive political institutions are the key factor, giving rise to inclusive economic institutions and consequently to inclusive growth and prosperity, and they claim that, in the long run, inclusive economic institutions are inconsistent with extractive (non-inclusive) political institutions. In their attempt to understand ‘why [certain] nations fail’, and others succeed, A&R argue that, historically, the

key factor for growth and development has been the presence of political institutions. This means that, in the long run, no country can sustain inclusive economic institutions and widely distributed prosperity if its political institutions are not inclusive.

Our main point is that inclusiveness is often incomplete, and partly inclusive economic institutions combined with inequality may generate a change to more inclusive political institutions; which will give rise to more growth and shared prosperity. The concept of a link between political institutions and economic institutions and growth is indeed a powerful idea, and the A&R book is a major contribution to the understanding of the patterns of economic development. However, the A&R theory is not, by itself, fully consistent with the democratization and growth processes that have taken place in various emerging countries. Political institutions matter; this is widely agreed; the issue, as in Barro (2013), is which institutions and how? A&R leaves too many questions unanswered. In particular, they do not say how inclusive political institutions emerge and develop. They seem to assume that this happens exogenously since they focus on various cases of the transplantation of modern institutions by European settlers in various parts of the world. In fact, in the long run, political institutions are also endogenous.

Recent history, including in Tunisia, shows that extractive political institutions do not always give rise to extractive economic institutions and economic failure. Many countries achieved fairly inclusive economic institutions and rapid growth for decades under autocratic regimes. Our main point in this paper is that it is unlikely that there will be a set-back resulting in economic failure because of the extractive nature of the political institutions; what is expected, should any political change occur, is rather the opposite: that is, economic development and education will give rise to more inclusive political institutions. Democratic and inclusive political institutions may indeed be secreted out of development and inclusive economic institutions, and, of course, once inclusive political institutions

are consolidated the way will be broadly open to increased economic development. This is how the modernity Lipsetian theory may be reconciled with the A&R hypothesis. They may even be just two pieces in a general dynamic theory. In other words, they are complementary and feed into each other. Moreover, inclusiveness is not a static state; it is a highly complex process and is never completed. Political institutions evolve constantly. This was true in particular in the case of the eighteenth and nineteenth centuries and remains true even in the twentieth and twenty-first centuries in Western countries (Europe and North America), where inclusive political institutions are the most developed.

For countries that have economic institutions which are, at least in part, inclusive and political institutions that tend to the extractive, the transition towards more inclusive political institutions, and hence to democracy, will thus be powered by development. Education and openness to the rest of the world, and also social and regional inequalities may accelerate the process, while factors underlying the ‘authoritarian bargain’, mainly rents from natural resources, may slow it down or even halt it. Conversely, tight fiscal constraints and a high level of public debt, which reduce the opportunities for establishing any kind of authoritarian bargain, are likely to force autocratic governments to make compromises and ultimately to step down. Evidently, a successful transition to inclusive political institutions and democracy should give rise to more inclusive economic institutions, opportunities, less inequality and more prosperity, and so on.

We argue that this general framework is a good fit in the case of Tunisia. In spite of the regional disparities and the lack of opportunities for the younger generation that characterize this country, Tunisian economic institutions were sufficiently inclusive. The development efforts made during the 1960–2010 period benefited most of the Tunisian people in all its regions, at least in part. However, regional disparities, concomitant with the performance of development and education, were major additional underlying factors in the rebellion and accelerating factors in the overthrow of the previous regime.

Rising levels of unemployment, growing regional disparities, alongside a large informal sector offering mainly low-quality jobs, generated growing pressures for reform. The population became increasingly politically restive, with growing popular aspirations for political and economic change. However, this rebellion would not have been so effective if development and progress in terms of education had not included the disadvantaged regions. The presence of a large pool of educated youth facing limited economic opportunities and an increasingly repressive political regime and asking for structural change, is the centerpiece of the argument. The transition to a more coherent and more inclusive system would not be eventually conceivable without the educated youth and middle class, who are the outcome of the development that has been achieved over the past half-century. Repression and lack of freedom could no longer be held consistent with the changing structure of Tunisian society, and the uprising was a clear manifestation of the urgent need for new, more inclusive and more appropriate, political institutions.

Economic openness became increasingly incompatible with the autocratic regime and restrictive political institutions, and this incompatibility aggravated the instability of the autocratic political system and led to its overthrow. The main purpose of the rest of this section is to clarify this idea in the context of the continuing Tunisian transition. The next subsection (1.2.) explains in what sense Tunisian political institutions were not inclusive and how corruption has become a source of discontent, especially among the middle class and the educated youth, and a source of weakness for the regime. The focus in the third subsection is on economic performance; the purpose is to show the partial inclusiveness of economic institutions and their interactions with the political institutions.

The Political Context

After independence in 1956, the Neo-Destour party, the party that fought for independence, was the predominant political force in the country, and it was easily able to seize power and impose a de facto one-party regime.

In March 1959, the Constituent Assembly elected in 1957 voted in a constitution making Tunisia a republic and abolishing the ruling, albeit very weak, monarchy. Bourguiba was then elected as Tunisia's first president. However, it was the beginning of an increasingly autocratic regime and not of a nascent democracy. Bourguiba's term of office was regularly renewed formally, according to a non-open and a non-transparent mode of election, dominated by his sole, ruling, party and under the control of the subdued Ministry of the Interior. He was president of the republic for thirty-one years (1957–87), and president of the Destour Party (PSD) since its foundation in 1934 (later in 1964 the party was renamed Socialist Destour Party or PSD).

In 1963, all the opposition parties, notably the Communist Party, were outlawed. In 1975, Bourguiba was voted president for life. The major TradeUnion organization (UGTT), which had played an important role, not only in organizing and protecting workers, but also in the fight for independence, had to fit into the one-party system; as did all the other national and civil society organizations.

Nevertheless, it is undeniable that the Bourguiba regime, while highly autocratic, performed well in some fundamental areas, particularly in building the basis of a modern state and the institutions managing basic public utilities and the civil service, promoting mass education and female emancipation. There was also a holistic view of development, even though this regime performed poorly in certain aspects of its economic policy leading to several economic crises. In 1964–65, the country went through a severe balance of payment crisis followed by what was the first rebellion on the part of the Union Générale Tunisienne du Travail (UGTT). In 1978, the UGTT challenged the government again and led an uprising which was crushed, and the trade's union leaders were jailed. This was an initial expression of the aspirations to freedom and social justice. As a response to this movement, in 1981 the Bourguiba government conceded what was a short-lived initial opening up to democratization. The Communist Party was reinstated and the creation of other new parties allowed. This was also the year of tentative pluralistic legislative elections (held in September 1981),

but the process rapidly failed and the government demonstrated that it was not willing to share power. It preferred to keep relying on repressive forces: the party machine, the police and, occasionally, the armed forces. In retrospect, it was a missed, aborted, opportunity to embark on a transition to more inclusive political institutions.

All in all, it can be said that the Bourguiba regime promoted social progress through a radically new programme of legislation, reform and economic development; it also built modern but extractive political institutions, however, it was politically harsh and repressive.

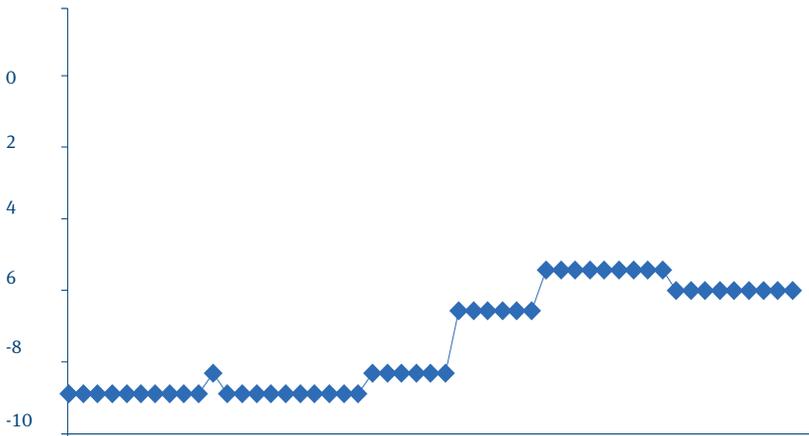
By the mid-1980s, Bourguiba was growing increasingly senile and unable to govern the country, his power was obviously weakening and there was a 'fin de règne', which opened the way for Zine El-Abidine Ben Ali to assume political power. On 7 November 1987, a few months after his appointment by Bourguiba as prime minister, Ben Ali organized a coup and took power. He did not need to use any military force to be accepted, as the situation was ripe for change. At the beginning, Ben Ali's government implemented several institutional reforms and even attempted to democratize the system. In fact, everything quickly returned to the one-party regime dominated by the same old Socialist Destourian Party (PSD), renamed the Constitutional Democratic Party (RCD). Moreover, all political power gradually became even more highly concentrated at the level of the presidency.

Later, in 2001, 2004 and 2009, by means of constitutional amendments, Ben Ali ran for additional terms. These abuses were accompanied by increasing political restrictions on human rights activists, the political opposition, journalists and the media, and by the further weakening of the existing institutions of state, including the judiciary. As for the legislature, it had always lacked sufficient strength to assert itself. Presidential and parliamentary elections were held formally but the members of parliament were actually selected and appointed by the party and the president prior to the elections. In the process, Ben Ali's extended family and entourage amassed power and privileges.

The Ben Ali regime was plagued by corruption and, in practice, was far more authoritarian than some indicators of the level of democracy (or autocracy), such as POLITY, showed it to be.

The widely used Polity IV database³ shows that, during the Ben Ali era, Tunisia moved from the very low -9 score, corresponding to a complete autocracy, to an anocracy or a milder autocracy with scores in the -4 to -3 range. It is true that Tunisia went through attempts at partial democratization in 1981 and 1993, as already mentioned, but these were both short lived and failed to fulfill their promise. The opposition parties were in fact completely powerless, being either banned and repressed, or entirely submissive to government control. To this extent, the Tunisia Polity IV scores did not accurately reflect the Tunisian reality; this confirms the cautions expressed by certain researchers concerning the limitations of the methodology followed in estimating these scores (e.g. Liu, A., 2003–2004; Munck, G. and Verkuilen, J., 2002).

Figure 1: Evolution of Polity Index

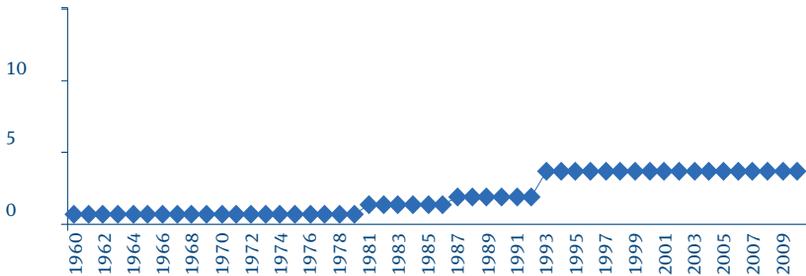


Source: Authors based on Polity IV Project Database: Political Regime Characteristics and Transitions, 1960-2010.

3. The polity score is composed of six measures that record the main qualities of executive recruitment, constraints on executive authority, and political competition.

A closer analysis of the Polity IV data-base components relating to the Tunisian case shows that the improvement recorded is mainly the result of the political competition sub-indicator, which substantially improved (from 3 to 6) in 1993 (see Figure 2), and not to the other governance indicators. This score (Figure 2) was influenced by a seeming opening up of the political scene to opposition parties in 1981 and 1993, the attempts to ‘pluralize’ the composition of the chamber of deputies in 1993 and the presidential elections in 1994. In reality, these measures of pluralization were cosmetic at best and intended to deceive national and international opinion, and the political competition was actually fictitious.

Figure 2: Tunisia: Evolution of the Political Competition Sub Indicator (POLCOMP) of Polity Index



Source: Authors, based on Polity IV Project Database: Political Regime Characteristics and Transitions, 1960-2010.

When they took place, the elections were far from being genuinely contested, clean, free or fair. The development of civil society was stalled, and the freedoms of expression and press were suppressed. In reality, the system of power relationships and the constitutional and legal arrangements that organized political life in Tunisia remained essentially authoritarian with hardly any room allowed for opposing opinions.

Other available indicators of democracy confirm this view. For example according to the Economist Intelligence Unit’s measure of democracy⁴, in 2010 the Tunisian regime was rated as authoritarian, with a democracy

4. The Economist Intelligence Unit’s Index of Democracy is based on five categories: electoral process and pluralism; civil liberties; the functioning of government; political participation; and political culture. Countries are placed under one of four types of regime: full democracy, flawed democracy, hybrid regime or authoritarian regime.

index of 2.79 (the score ranges between 0 and 10; a score of 10 implying complete democracy) and the country ranked 144 out of 167 countries. Compared to 2008, the score had actually declined and the country had gone down two places in the overall ranking. It is also important to note that a score of zero is assigned to the subcomponent related to the electoral process and pluralism. Nevertheless, a year after the revolution the ranking extensively improved, and in 2011 Tunisia experienced the greatest increase in a democracy score for any country. Consequently, the regime moved from an authoritarian to a hybrid one. The democracy index continued its growth path in 2012 and 2013, thanks to the progress of the electoral process subcomponent (see Table 1). However, the civil liberties subcomponent is still considered to be relatively low (less than 5).

Table 1: EIU Democracy Index, 2010–13

Tunisia	Rank*	Overall Score	Electoral Process and Pluralism	Functioning of Government	Political Participation	Political Culture	Civil Liberties
2010	144	0.00	0.00	2.86	2.22	5.63	3.24
2011	92	5.33	5.33	5.00	6.67	6.25	4.41
2012	90	5.75	5.75	5.00	6.67	6.25	4.71
2013	90	6.17	6.17	5.00	6.67	6.25	4.71

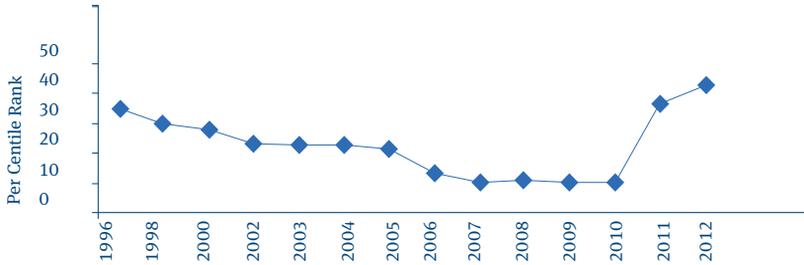
* out of 167 countries

Sources: Democracy Index. The Economist Intelligence Unit.

The Bertelsmann Transformation Index (BTI), which analyses and evaluates the quality of democracy, also confirms the country's weak democracy performance before the revolution. In 2010, Tunisia was ranked as 102 out of 128 countries, with a low score of 3.78.⁵ While the situation improved after the 2011 uprising, the BTI score remained low in 2012 and did not exceed the value of 4 (i.e. partial democracy status). But it reached 5.8 as a result of the constitution adopted in January 2014.

Voice and accountability improved in 2011 and 2012, following the first elections to the National Constituent Assembly on October 23, 2011.

5. Scale 1 (lowest) to 10 (highest).

Figure 3: Voice and Accountability, 1996–2012

Source: Worldwide Governance Indicators 2012

For two decades, the ruling elite controlled both the polity and key segments of the economy. Major corruption was exemplified by the multibillionaire clan of President Ben Ali (mainly on the part of the ruler’s wife, family and in-laws), which increasingly led to the alienation of the government from the people. The Ben Ali clan and cronies abused all types of institution at all levels. They were able to control the distribution of wealth and jobs, to accumulate assets illegally, and in the process to strengthen their hold on power.

Again, while the ‘control of corruption’ indicator appears to have underestimated the level of corruption (see Figure 4), the report published by the National Commission in charge of investigating corruption cases (November 2011) offers solid information and ample evidence for the extent and depth of corruption. This National Commission, established in the weeks after Ben Ali’s overthrow, included government accountants, lawyers and experts in administration and property. The report’s findings, based on some 5,000 complaints, reveals a vast system of structured corruption by which Ben Ali, his in-laws and their cronies were able to enrich themselves. Some major examples of this are the stakes they acquired in the most lucrative businesses, exemptions from customs dues and appropriation of weeks after Ben Ali’s overthrow, included government accountants, lawyers and experts in administration and property. The report’s findings, based on some 5,000 complaints, reveals a vast system of structured corruption by which Ben Ali, his in-laws and their cronies were able to enrich themselves. Some major examples of this are the stakes they acquired in the most

lucrative businesses, exemptions from customs dues and appropriation of public land. Government institutions such as the tax authorities and the judiciary, and even private as well as state-owned banks, were under their control. Private entrepreneurs who refused to participate in their schemes were subject to harassment which took various forms, e.g., tax inspectors would carry out audits with the objective of pressuring them to comply or their loans and their business licenses would come under threat of being withdrawn.

Deeply rooted corruption and bad government led to the alienation of all social classes from the regime and the loss of most of the domestic support it had initially enjoyed. It became increasingly isolated, being rejected and despised even by its main supporters, private entrepreneurs and even the police.

No doubt, these factors constituted major contributions to the undermining of the hegemony of the regime and its eventual downfall. However, the need for political change was primarily powered by economic factors.

Figure 4: Control of corruption, 1996-2012



Source: Worldwide Governance Indicators 2010-2012. Per centile rank among all countries ranges from 0 (lowest) to 100 (highest).

Table 2: CPI Score relates to perceptions of the degree of occupation, 2000–14

Year	Rank*	CPI Score
2000	32	5.2
2001	31	5.3
2002	36	4.8
2003	39	4.9
2004	39	5.0
2005	43	4.9
2006	51	5.0
2007	61	4.9
2008	62	4.6
2009	65	4.2
2010	59	4.3
2011	73	3.8
2012	75	4.1
2013	77	4.1
2014	79	4.0

* CPI Score relates to perceptions of the degree of corruption as seen by business people and country analysts and ranges between 10 (highly clean) and 0 (highly corrupt).

Source: Transparency international.

The Economic and Social Context

The authoritarian bargain and the Lipsetian hypotheses

During the last five decades, Tunisia has achieved a relatively good economic performance, in contrast to its neighbors and other Arab countries. It maintained a relative degree of macroeconomic stability combined with rapid economic growth and rising levels of per capita income. The average economic growth rate was around 5 per cent, which is higher than the MENA countries' average (excluding resource-rich countries). With the exception of a few episodes, the economy also maintained a healthy balance of payments. Moreover, the economy was quite diversified, with a substantial growing role for the manufacturing and service sectors; which respectively accounted for above 20 per cent and 60 per cent of GDP. The development of the agricultural sector was slower, and consequently its relative contribution to the economy, as a share of GDP, decreased to about 10 per cent. Exports also diversified with an important share of manufacturing, about 70 per cent.

Table 3: Macroeconomic Indicators

	2008	2009	2010	2011
GDP (US\$ Billions)	44.878	43.523	44.290	46.623
GDP Per Capita (US\$)	4,354	4,170	4,200	4,375
GDP growth rate (%)	4.5	3.2	3.7	-1.9*
Population growth rate (%)	1.03	1.03	1.06	1.14
Government Debt (% GDP)	43.3	42.9	40.4	42.8
Population (million)	10.314	10.420	10.531	10.650
Urban population (%)	65.8	65.9	66.1	66.2

Source: Compiled by the authors from IMF (2013)*, WDI (2011) and INS (2012).

Starting in the early 1970s, a whole series of policies designed to promote investments and attract foreign investors were adopted. Tunisia succeeded in promoting its export sector while concomitantly witnessing a growing internal market driven by domestic demand. The outcome was a rapid development of both the private sector and export markets. The proximity to Europe, low-paid labor force, a serviceable infrastructure, as well as political and social stability contributed to this progress.

This progress also covered various social fields, leading to a generalized access to education for both boys and girls, and to health and housing facilities mainly via subsidized housing and loans. Furthermore, the water and electricity infrastructure and social services were developed to serve the population at large while food and transport subsidies were extended.

The rising level of education in the country was particularly impressive. The proportion of the labor force which had access to, at the least, a secondary education, reached on average 55 per cent in 2011 for both men and women, compared to around 8 per cent in 1966. Similarly, 17 per cent had a tertiary education qualification in 2011, compared to a little over 1 per cent in 1966. Access to schools at all levels was equally available to both sexes. Actually, female student enrollment eventually outstripped male student enrollment; currently, over 60 per cent of university graduates are women.

The number of health facilities and doctors has also grown remarkably.

Table 4: The Structure of the Labor Force by Education Level, 1966–2011
(Percentage of Labor Force)

	1996	1975	1984	1994	2001	2006	2011
Higher	1.2	1.4	3.3	7	10	15	17
Intermediate (Secondary and Vocational)	7.1	128	20	29	30	31	38
Low (Primary or None)	91.7	85.7	76.8	64	60	54	45
Total	100	100	100	100	100	100	100

Source: INS Labour survey 2001 to 2011 and population census 1966, 1975, 1984, 1994.

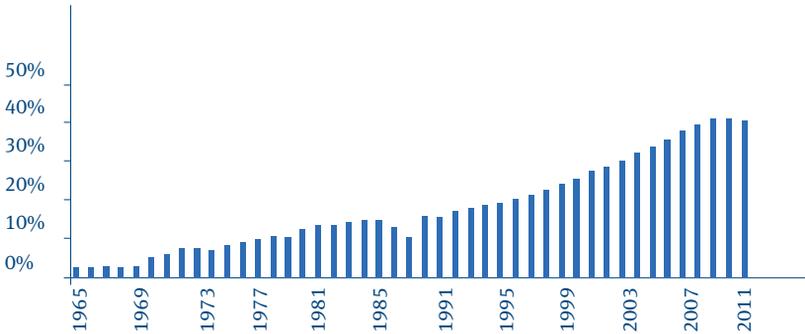
Table 5: Provision of Public Health

Year	2006	2007	2008	2009	2010
Percentage of public spending on health as a share of total government spending	7.1	6.8	6.5	6.8	
Number of individuals per medical doctor	994.3	968	865	839	812
Number of individuals per dentist	5450.0	5447	4490		3370
Number of inhabitants per pharmacist	4490.5	5020	3386	3341	3260

Source: Ministry of Public Health.

The fact of a positive socio-economic performance strengthened the government's legitimacy, and secured the loyalty of a large majority of the people; thus they validated the authoritarian bargain hypothesis, at least until 2000/2001. The Bourguiba regime, in particular, enjoyed widespread popularity and legitimacy for more than two decades, extending into the early period of the Ben Ali regime (1987–2000). With the revenues generated by growth, and in spite of the drying up of oil revenues (a limited surplus was available in the 1970s), the government could still afford to suppress or silence most dissidents.

Altogether, Tunisian development provided opportunities for large sections of the population, and was, overall, pro-poor. It also resulted in a growing middle class, which according to the Brookings database comprised more than 40 per cent of the population in 2010. To that extent, economic institutions and growth over the last decades have been increasingly, though not fully, inclusive.

Figure 5: The Tunisian middle class, 1965-2011

Source: Brookings database, 2012.

This also meant that, as Tunisia developed economically, its social structure became more complex, with salaried labor becoming the predominant social category, comprising close to 70 per cent of the labor force (the INS Labor Survey, 2010), being highly educated and skilled. As a result of all of this, Tunisia has become quite open to a high level of technology and trade. These developments carried with them the seeds of change as per the Lipsetian modernization hypothesis, i.e. as the country developed the need for democracy and more participative institutions grew.

The weakening of the authoritarian bargain and the economic imbalance and social disparities

As time passed, the cost of maintaining the authoritarian bargain was increasing, while its positive impact was gradually decreasing. In particular, the government budget was increasingly unable to satisfy growing social demand, especially in terms of employment for the tertiary-educated youth.

Investments and employment

More generally, the limits of the development policies and strategy pursued gradually became apparent, starting in the mid-1980s. The import substitution strategy led to several crises, including to a severe balance of payment crisis in the mid-1980s. In 1986, (the year before Ben Ali took over), Tunisia had to go through a stabilization and structural adjustment programme (SAP) supervised by the World Bank and the IMF. This programme

included the standard SAP package, including liberalization of foreign trade, privatization of state-owned enterprises, devaluation of the national currency, a restrictive budget policy. Although, stabilization was achieved with an adequate degree of success, the structural adjustment measures and the first wave of reforms brought the usual mixed socio/economic consequences. More unemployment and less investment were among the negative effects. Even though economic stability was quite quickly restored, the rates of growth and private investment remained below the 1970s level. The investment code under Law 120-93 and its several amendments failed to stimulate a substantial flow of foreign investment despite its high cost, estimated at the equivalent of 2.2 per cent of GDP, or 11 per cent of fiscal revenue per year (Ghazouani, 2011). The privatization of state-owned enterprises, undertaken between 1987 and 2008 (217 enterprises were privatized, yielding nearly US\$4 billion) was permeated with corrupt methods thereby contributing to the degradation of the business environment.

Furthermore, the majority of private-sector enterprises remained in the low productivity, low skills, low wages, and category. In particular, the key manufacturing sectors (mainly the textile and garment, electrical and mechanical industries), as well as the tourism sector, are based mainly on low-skilled labor and provide limited job opportunities for better educated workers. Hence, the demand for skilled labor has been limited and unemployment, especially among the youth and the educated, has been widespread.

The negative effects of the stabilization and adjustment programme were exacerbated by the growing level of unemployment. According to government (INS) data, the overall average unemployment rate stood at 13 per cent in 2010, corresponding in actual numbers to approximately 500,000 unemployed (this number jumped to more than 700,000 in 2011, most of these individuals being young).

Graduate youth queued up for formal jobs, mainly government jobs. Only when they despaired of finding formal employment, would they try to find other work or to start their own businesses in the private sector, often in

the informal sector, which usually did not provide the type of decent work they were seeking. Such low-quality jobs (e.g., construction work, vending) do not allow for a move out of poverty and do not attract those looking for decent formal jobs (in the ILO sense), or the better educated. Unemployment rates for young university graduates (15 to 29 years old), were above 30 per cent and reached 44 per cent in the poorer regions; they were higher for girls. Elbadawi and Makdisi, 2013, identify high unemployment, i.e. above 10 per cent, as one of the major factors in the Arab uprisings.

Table 6 shows that the majority of the unemployed, more than 70 per cent, had completed their secondary education at least, if not their higher education.

Table 6: Unemployed by level of education (all ages in percentages)

Illiterate	6.2	6.6	4.2	3.6	4.8	4.5
Primary	42.0	38.3	33.8	30.3	27.0	24.1
Secondary	37.4	36.1	39.8	40.1	39.7	39.4
Higher	14.4	19.0	22.2	26.0	28.5	32.0
Total	100	100	100	100	100	100

Source: Survey on employment, INS 2012.

While most of the focus has been on the educated, not enough attention has been paid to the hundreds of thousands (about 200,000 in 2010 and 280,000 in 2012) of angry young people with a secondary education but with limited skills. They have been ignored, are the least integrated and feel the least hopeful about their condition, even when employed because they often work in the informal sector. It is important to keep in mind that this category of young people is the one which contributed the most to the uprising and are likely to continue to foment unrest and violence if their problems are not urgently addressed.

In short, limited economic opportunities, social exclusion and bad governance, engendered by cronyism and anti-competitive practices, allowed a privileged minority to capture the lion's share of the benefits of growth, and led to a general sense of frustration in the population.

Poverty and regional disparities

Following the revolution, in September 2011, the National Statistics Institute published revised poverty estimates showing that the national average poverty rate in 2005 stood at 11.8 per cent. Moreover, the breakdown by region showed that these national averages hid wide variations, with poverty rates as low as 5–7 per cent in the Centre East and Greater Tunis regions and as high as 29 per cent in the Centre West of the country. The North West and Centre West (NW, CW), also the more rural regions, remain the poorest in the country (see Table 7). Although country-wide inequality has decreased, the poor rural regions continue to be the most important contributors to overall inequality.

Regional disparities have largely been the outcome of the unequal distribution of public funds and investments. The Centre West and North West regions were clearly disadvantaged during the period 1962–2010, receiving less investment than the Greater Tunis region and other Eastern regions. This disparity is not surprising because most of the members of the ruling class came from these favored regions.

Table 7: Poverty and extreme poverty rates by regions (2000, 2005 and 2010)

	Poverty			Extreme Poverty		
	2000	2005	2010	2000	2005	2010
Greater Tunis	21.0	14.6	9.1	4.3	2.3	1.3
North East	32.1	21.6	10.3	10.5	5.4	1.8
North West	35.3	26.9	25.7	12.1	8.9	8.8
Centre East	21.4	12.6	8.0	6.4	2.6	1.6
Centre West	49.3	46.5	32.3	25.5	23.2	14.3
South East	44.3	29.0	17.9	17.5	9.6	4.9
South West	48.7	33.2	21.5	21.7	21.1	6.4
Total	32.4	23.3	15.5	12.0	7.6	4.6

Source: INS, 2012. Premiers résultats de l'enquête nationale sur le budget, la consommation et le niveau de vie des ménages en 2010. Tunis.

There are many social indicators that corroborate the persistence of large disparities between regions in terms of basic infrastructure, health and education. Despite the progress in the national health indicators, notable regional disparities in health care are evident. Whereas the life-expectancy rate was estimated to be 77 years in the governorates of Tunis and Sfax, it stands at 70 years for Kasserine (in the Midwest) and Tataouine in the South of the country (the Population section of the Labor Survey for 2010). Similarly, infant mortality rates in the South-East (21 per cent) and the Midwest (23.6 ‰) were higher than the national level (17.8 per cent) in 2009.

Illiteracy is higher in the poorer Western regions. Thus in 2010, rates exceeded 30 per cent in Jandouba (33.9 per cent), Kasserine (32.8 per cent), Siliana (32.3 per cent), Kairouan (32 per cent), Beja (31.3 per cent) and Sidi Bouzid (30.2 per cent), all in the west of the country. In contrast, it was less than 10 per cent in Greater Tunis, 14.6 per cent in Sousse, 12.5 per cent in Monastir, in the eastern coastal districts.

Although the youth in the poorer regions benefited from free access to education, the quality of their training was of a poorer quality and their dropout rates were higher. Consequently, they had diminished access to good, formal jobs. This was a determining factor in the uprising: their access to education made them more aware of their social rights and of the social and regional unbalance and so provoked their anger, and sustained their aspirations for a new political and economic order.

In conclusion, relatively rapid economic development accompanied by rising levels of education, and the gradual opening up of economic institutions became increasingly incompatible with persistent regional disparities, the lack of opportunity for the youth and with the highly restrictive political regime. The friction caused by the disparity between relative economic openness and highly repressive and extractive political institutions was a determining factor in the rebellion and the overthrow of the autocratic regime in Tunisia. The anger expressed by the youth ignited the process. The end of the authoritarian bargain was another accelerating factor.

The path to democratization

The ability to abolish many of the symbols of the old regime in a peaceful manner after the 14 January rebellion and the successful election in October 2011 of the National Constituent Assembly (NCA), in spite of the absence of a legitimate government and despite the prevailing chaos, were early important milestones in the transition to democracy in Tunisia. The adoption of the new constitution in January 2014 and then the establishment of a new technocratic government constituted both a culminating point and a crucial step forward. The free election of a parliament and of the president in the last quarter of 2014, according to the rules laid down by the constitution and under the supervision of an independent national election commission confirmed Tunisia's transition to political democracy. It was a very hard and uncertain road but so also will be the way ahead. Much more remains to be done in order to consolidate this initial victory. The first challenge is to ensure the move from chaos to democracy and to establish the rule of law. The next major step is the implementation of social and economic reforms and the achievement of a more inclusive and rapid form of economic growth.

From chaos to democracy

The outcome of the NCA election in October 2011 was the emergence of Ennahdha, the Islamic party, which was the winning party with 89 out of the 217 seats. The remaining seats were divided between over 10 parties and a large number of independent candidates. Since Ennahdha did not have a clear majority to govern by itself, it joined forces with two other parties, the 'CPR' and Ettakatol, to form a government supported by a 138 seat majority coalition. Thus, the so-called Troika government was born, but it did not have a real political platform and there were many fundamental disagreements between the three parties.

The main commitment of the NCA and of the government was to write the new constitution before October 2012. In fact, rather than one it took three years to write it. Managing the transition during this period proved to

be an extremely difficult and uncertain process. The transition has lasted much longer than originally anticipated partly because the Troika lacked vision and cohesion. Social unrest and tensions aggravated by growing unemployment and a serious economic slowdown have characterized this period. Widespread chaos in all aspects of the society, including within the NCA, reflected the difficulty of reaching a national consensus starting from such divergent views as were now apparent in the country. Tunisia was formerly seen as a homogeneous society with hardly any significant conflict, but the troubles and events of the revolution have shown that this impression is incorrect. Important disagreements have emerged. Major examples of these include regional disparities, north vs south, east vs west, the urban vs the rural, the formal sector vs the informal sector. More importantly, a division has emerged, or developed, concerning attitudes towards religion. For the Islamists, represented mainly by Ennahdha, Islamic laws (that is to say the shari'a) ought to be the fundamental pillar of social and political life, and a major reference for legislation and regulations governing society; while the rest of the population, i.e. the majority, hold more modern and rather secular views.

Moreover, the political uncertainty, the worsening of the state of security and the social unrest, negatively affected the functioning of the economy between 2011 and 2014, more severely in certain branches, namely tourism and the phosphate industry, than in others. National and foreign investment and economic growth slowed down dramatically from around 5 per cent per year to negative growth and then to a sluggish level between 2 and 3 per cent. Concomitantly, domestic and foreign deficits increased to levels that were a matter of concern. The budget deficit increased to around 6 per cent of GDP, compared with less than 3 per cent in 2010; the trade deficit reached unprecedented levels (around 15 per cent of GDP), and inflation accelerated to around 6 per cent. In short, the macroeconomic situation deteriorated considerably, leading to even more discontent. As a result of these poor levels of performance, international credit rating agencies (such as Fitch and Standard & Poor's) downgraded Tunisia's debt and financial institutions, and the Tunisian currency, the dinar, kept depreciating (see Table 8).

Table 8: Selected economic indicators, 2010–13

Year	2010	2011	2012	2013	2014
Real GDP growth (per cent)	2.6	-1.9	3.7	2.3	2.4
CPI inflation (period average, per cent)	4.4	3.5	5.6	6.1	5.6
Current account balance (per cent of GDP)	-4.8	-7.4	-8.2	-8.3	-7.9
Gross official reserves (US \$ billions, eop)	9.5	7.5	8.7	7.7	7.8
Gross official reserves (in months of next year's imports)	4.4	3.4	3.9	3.4	3.4

Source: IMF, 2015

The assassination of two opposition leaders in February and July 2013 marked the emergence and then the proliferation of terrorist threats and attacks.

During the four years following the revolution, the Troika government did not really deal with the social inequalities and unemployment which were at the root of the popular uprisings. The focus was on ideological and political debate, which might have been relevant for the debate over the constitution but did not reflect any of the initial concerns of the revolution, in terms of employment, justice, dignity and the fight against corruption.

Nevertheless, by the end of 2013, after months of confrontation, the majority of the parties and key partners reached a breakthrough. In the midst of widespread discontent and anger, and of the deep disagreements in the NCA between the Islamists and their opponents, there emerged a strong movement in favor of a modern and secular constitution. The secular parties in the opposition and civil society organizations led this movement. It reached its peak in the protests against Ennahdha and the Troika government in the summer of 2013. Building on this movement, four major national organizations (trade unions, business, human rights organizations and the Lawyers national council, 'L'Ordre National des Avocats Tunisiens'), the so-called quartet, initiated a more open and constructive national dialogue. Its purpose was to achieve what seemed impossible within the NCA, a consensus over the constitution and the main national institutions.

One of the main conditions was to agree on a road map according to which the Troika government would step down. Ennahdha participated in the dialogue and indeed agreed to step down from power, and the outcome was the end of the acute political crisis, the adoption of a modern constitution and the transfer of power to an independent technocratic government. The purpose of this government is to guarantee that the preconditions for free and fair elections under the supervision of the independent national election commission⁶ and according to the terms fixed by the constitution are met, as well as to run the country in the meantime.

It was a real struggle between forces pushing towards social segmentation, religious sectarianism and chaos, and those forces attached to national unity, to building modern and democratic institutions and to social and economic progress. The successful legislative and presidential elections during October–December 2014 gave victory to the latter. The main result is a successful political democratic transition in Tunisia, even though it is a fragile and not a final victory.

The way forward

Can political transition towards democracy be consolidated in the context of a weak economy, and is democracy a necessary condition for the enhancement of the economy?

The debate over the influence of democracy on economic development is still open. However, there are strong arguments supporting both the idea that economic development variables are key determinants of a transition to democracy in the long-run (Elbadawi and Makdisi, 2013) and the view that democracy has a positive impact on economic development and on globalization (Quinn, 2000; Eichengreen and Leblang, 2008). Other studies, based on robust theoretical and empirical evidence, show that reforms needed for inclusive economic growth are closely correlated with democracy (Giavazzi and Tabellini, 2005; Amin and Djankov, 2009; Giuliano, Prachi

6. (www.isie.tn)

and Spilimbergo, 2010). Their influence could run in both directions with a far greater effect being felt from democracy on reform, since democratic regimes undertake economic reform in order to enhance the welfare of the population and improve the quality of institutions. Autocratic regimes are less likely to carry out reforms because they seek to preserve rents and protect their elite.

At the current stage in Tunisia, in early 2015, this debate is more specific and is focused on the factors that will influence the next phase in the consolidation of the transition process which mainly concern the economic sphere. The complete stabilization of the country and the strengthening of the democratic process depend on the ability of the next government to agree to, and implement, a coherent economic strategy that responds to key economic and social demands, mainly of the youth that led the revolt (jobs first and foremost). Otherwise, if key economic and social expectations are not dealt with adequately (given that they cannot be fully met in the short run) the transition process will remain under threat. Unrest and social division may increase. There is a genuine dynamic and dialectical relationship between economic factors, institution building and the transition to democracy, but at this stage it is economic factors that are the determining ones, far more so than any of the others. The perception that the political transition is in the process of consolidating is enhancing the economic recovery and makes institution building easier, and, at the same time, the ability of the transition government to deal with the main economic issues is important for facilitating the construction of institutions and advancing the transition process.

Implementing a comprehensive strategy with a focus on creating employment opportunities for the youth and inclusive development should be the current policy priority and remain so for the coming years. Employment should target young men and young women equally, given that female participation in the labor market remains very weak (persistently around 25 per cent) and their unemployment rate is twice that of men (23.3 per cent for women, 13.9

per cent for men in the first quarter of 2013). But this will not occur without the empowerment of the youth and their participation in national policy and decision-making.

Obviously, neither government nor the public sector can provide jobs for all the unemployed immediately or meet the employment needs of the ever-increasing numbers of young people. The main role for the government in this situation is creating the right environment for the creation of increasing numbers of good, formal, private sector jobs. Nevertheless, urgent action has to be taken; the rapid formulation by the government of a credible employment programme is a necessary condition for the consolidation of the nascent democracy. This programme, in addition to immediately boosting private-sector growth and job creation, should include a package of government-supported jobs; but of course, this has to take place within the limits of the national budget. To this end, a trade-off is required.

Despite a currently uncertain landscape, Tunisia has a unique opportunity to free its economy from the bottlenecks and red tape that previously impeded its development and to implement the institutional reforms necessary for creating a climate conducive to rapid and inclusive economic growth.

Is this the only likely path?

Although it is unlikely that the country will fall back to chaos, the outcome of the next phase is still uncertain. Assurance comes from the youth, who will continue to be highly dynamic and the main driving force for reform until their demands are satisfied. More than half a million young unemployed, most of them with university or at least secondary school education, have overcome their fears and apprehensions which were created by the repression of the past regime, and might, in the future, demonstrate again should their demands for jobs and dignity continue to be ignored. The emergence of a vibrant civil society is also an important source of support for forces in favor of completing the transition. This means that the youth and civil society could, paradoxically, generate more instability and, at the same time, push

the government and all the other political partners to make decisions that favor inclusive growth.

The outcome will depend on the number of possible paths. Is the transition likely to lead to a single path or multiple identifiable divergent political directions which will eventually converge? In other words, is democracy a state of steady equilibrium and the only equilibrium? If not, what is described as a multiple-equilibrium means that several alternative regimes are possible and could materialize, and hence the country might find itself switching from one to another. It also means the existence of several alternative paths, including perhaps the emergence of a new dictatorship or a move to a fully-fledged democracy or to an intermediate form of regime. These regimes may be more or less stable. A single stable equilibrium would mean that, logically, were there to be any shock or deviation from the equilibrium, the existing powers and mechanisms could ensure a return to the initial stable situation.

This question was relevant in the early days of the Arab Spring and it remains relevant now, after the successful transition phase in Tunisia. Our view is that democracy is the only possible steady state for Tunisia and more generally for the Arab Spring countries as a whole, but the mechanisms leading to such a steady state are uncertain and may even be too weak or not effective. This means that the transition to this steady state may be slow, and even if not countered often not linear. Instability and even chaos may persist for quite a while, may be even for a long time as in Libya, Syria and Yemen. However, a return to autocracy would not be a stable alternative.

In the Tunisian case, the initial threat has been due the existence of only one strong political formation, the Ennahdha Party. Ennahdha, by definition, seeks to build an Islamic state; the corollary is that, if it succeeds, the other opposing political forces would be reduced to being mere followers of events (if not banned) and the country will head towards an Islamist autocracy. Our point is that this is not sustainable. Equally unsustainable would be a path that seeks to suppress the Islamist movement, as in the past two decades

in Tunisia (and currently in Egypt). The Arab Barometer surveys show that support for democracy was, and continues to be, at a high level in all Arab countries surveyed, including Tunisia, and that support for political Islam remains moderate. However, Ennahdha (like Islamists in general) is here to stay, for the time being at any rate, and indeed has the means to remain as an important party for a long time, but it lacks sufficient resources to respond to the key and urgent social demands and needs. Ennahdha does not have enough support to achieve and sustain a total predominance. It is a strong party but does not have the requisite complete support of the security forces (the army and/or the police), and it cannot rely on any enduring source of rent income to establish a new authoritarian bargain (Tunisia is not a resource rich country).

In 2015, given that the secularist forces have gained a sufficient degree of strength, the question is will they be able to complete the transition process and to ensure its consolidation. Again, we may argue that the consolidation of the democratic transition is the only possible stable path. The alternative is quite simply chaos and instability. A stable democratic path is contingent on the design and implementation of an appropriate economic and social strategy involving a number of important reforms in the coming years. The first few years, and then the first decade, will be crucial ones and will determine the viability and the stability of the ongoing transition. The main political partners seem to be aware of this crucial condition and Tunisia has all the ingredients for successfully completing the process. However, there is a serious threat coming from important divergent forces that are pushing towards division. Furthermore there are conflicts that have not gone away; they are based on regional, tribal, religious and ideological divides. The potential losers from the expected political and economic reforms are also quite powerful. There are, however, forces for cohesion and cooperation. The key question is which of these forces will prevail, and are the channels of cohesion and dialogue strong enough to keep the country together. In most of the Arab Spring countries, the forces of conflict and division have been far stronger than the forces of cohesion and social progress. In Tunisia, based

on the trends observed, it is reasonable to assume that it is the forces of cohesion that will prevail.

Conclusion

The Tunisians have proved that they can disagree and can argue very strongly about political and collective issues but at the end of the day can manage to reach an agreement despite the deep cracks that have appeared in the social body of the nation. Tunisian society has proved its ability to develop consensus out of a diversity of views about social choices. All the political polls and elections show not only that the Islamists are not the majority in Tunisia, but the secularists (not opposed to Islam but to Islamism), who form the majority, are less and less fragmented. The outcome of the recent 2014 elections shows that the initially fragmented secularist majority was able, after many failed attempts, to form a broad coalition. Nida Tounes was the party that won against Ennahdha in the October 2014 legislative and presidential elections; and Ennahdha accepted its second place in the results. This is a major step and a necessary condition for the consolidation of democracy. The remaining challenge is to build on this successful, but fragile, phase and to achieve the necessary consensus on economic and social strategy.

For the time being, uncertainty remains a key word; and chaos of various possible degrees, is not to be totally excluded. However, there is a greater reason for hope in the case of Tunisia. Popular movements guided by political parties and civil society organizations expressed in many ways, in particular through protest and through participation in the 2011 and 2014 elections, their awareness of the need to save the country and to make the revolution a genuine opportunity for the betterment of the country. Great challenges remain but, logically, the fundamental conditions for complete transition to a stable pluralistic democratic regime have been fulfilled.

Convergence on this steady state requires effective leadership and greater cohesion and, above all, a form of innovative, participative and inclusive

economic strategy, one focusing on society's expectations and the aspirations of the youth. This is, to a certain extent, in the making but it remains in part hypothetical. The youth, especially the angry and unemployed youth, those who have been ignored and the least integrated, remain the main driving force for change and a source of hope for the success of Tunisian democracy.

It is not enough to have pluralistic and fair elections. The development of solid institutions driven by the desire to achieve social objectives are also crucial. Inclusive political and economic institutions should go hand in hand. Inclusive growth, decent jobs for the youth, the challenge of confronting regional disparities and poverty should be top priorities for political leaders and should be taken into account when designing political and economic institutions. Otherwise, unrest will persist and Tunisia could go through a period of retrogression. Given its human potential and its recent history, the probability that this could be the case seems limited. This is after all conjecture, as it seems there is no method by which one may rigorously estimate this probability.

The situation has not stabilized but the only conceivable steady state is through a successful democratic and pluralistic transition; the alternative would be instability but not autocracy.

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