RUPTURES AND RIPPLE EFFECTS IN THE MIDDLE EAST AND BEYOND

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The Political Economy of Violence in Egypt

Magdy Rezk

Abstract This article examines the political economy drivers of the uprisings in Egypt in 2011 and 2013. It shows that there was a continuity in neoliberal economic policy from the rule of Hosni Mubarak through to that of Mohamed Morsi, accompanied by an increase in poverty and unemployment. However, it was Egyptian citizens' perception of the political dynamics behind the economic situation that drove them to revolt. In 2011, a sense of intolerable levels of corruption and the prospect of their continuation under Mubarak's son, Gamal, made people responsive to calls for revolution; in 2013, it was the scale of their disappointment at the unmet promises for economic betterment. In both cases, economic conditions were crucial, but political grievances and mobilisation ultimately determined and shaped the revolts.

1 Introduction

There has been a great deal of speculation about whether Egypt's enduring economic crisis, five years after the January 25 revolution of 2011, poses a threat to its stability. The broader issue at stake here concerns the relationship between economic conditions and violence (Richani 1997). Despite decades of interest in the topic, research has reached no conclusive findings about whether economic interests or problems, such as unemployment, poverty, or social inequalities, affect the potential for violence.

The main argument in this article is that economic factors, especially the inequitable income distribution, poverty, and unemployment, are significant determinants of political violence, but each one on its own is insufficient to provoke violence. Rather, these factors come into play in particular political, historic and cultural circumstances contingent on the nature of the system of governance, the political culture or level of democratic development, and the extent of corruption, bribery, and favouritism in a society.

It posits that economic circumstances are the objective condition, which, absent other subjective conditions, may not act as an impetus to violence as a means for political change. In other words, economic
factors are a necessary condition for violence, but alone are insufficient to cause it. Such a political economy approach avoids the pitfalls of simplistic political theory (Krueger and Maleckova 2002) and the narrow approach of economic accounts of violence, both of which are reductionist and disregard history.

The article illustrates this approach with particular reference to the 2011 and 2013 mass uprisings. Egypt after the January 25 revolution is a particularly important case study because it offers a complex picture of various forms of violence. At the outset of 2011 revolution, revolutionaries deployed violence to counter the violence of the Mubarak regime’s security forces, and this was followed by bursts of revolutionary violence under the Supreme Council of the Armed Forces (SCAF) until June 2012 and for a year under Morsi. Terrorist groups, which declared their existence immediately after January 25, have also used violence, especially in Sinai, and stepped up its use against security forces after 30 June 2012. Since the January 25 revolution Copts, especially in Upper Egypt, and other minority religious communities such as the Shia have been victims of hate crimes. Deteriorating economic conditions, which signal the expansion of the informal economy, seen especially in the spread of sidewalk peddlers and other itinerant vendors, have also generated violence. Finally, violent crime has spiked, fuelled in part by a security vacuum that has considerably weakened legal deterrents. For all this, the analysis below focuses solely on the two major and comparable moments of violence, in 2011 and 2013.

2 The road to January 25, 2011

Two related economic factors underpinned Egypt’s 2011 revolution: entrenched poverty, which significantly worsened in the three years immediately prior to the revolution, and the nature and power of the country’s business elite. These economic contexts are crucial to understanding the revolution because they were its necessary conditions, but insufficient on their own.

2.1 Poverty

Socioeconomic conditions in Egypt worsened over the three decades of Mubarak’s rule, and were especially difficult for its poorest citizens. The first decade of Mubarak’s rule (1981–91) saw skyrocketing foreign debt and budget deficits, from which the 1991 Gulf War offered only a temporary reprieve, when Western and Arab donors and the Paris Club wrote off a significant chunk of Egypt’s debt burden. This was followed by an IMF-led stabilisation programme, which brought the country’s budget deficit to 3 per cent of GDP, brought inflation under control, and stabilised the price of the Egyptian pound (El-Beblawi 2008). This success, however, was followed by a relapse for nearly a decade. While high growth rates returned in 2005, the economic upswing was cut short just three years later by the global financial crisis. The revolution thus took place during an economic downturn, but also after years of propaganda that had portrayed Egypt as a strong emerging economy, the ‘Tiger on the Nile’.
A 2011 report by the World Bank’s Social and Economic Group on poverty and social welfare in Egypt in 2008/09 gave a comprehensive picture of the evolution of poverty prior to the revolution.3 The report found that poverty declined in Egypt between February 2005 and February 2008 due to rapid economic growth, but that high inflation during this period had damaging effects on the poorest. Poverty and near poverty declined by some 20 per cent in this rapid-growth period, but extreme poverty (defined as the inability to meet basic food needs) increased by nearly 20 per cent due to rising inflation and food prices, which eroded the purchasing power of the Egyptian pound. But the sudden economic slowdown of 2008/09 amid rapid inflation erased the gains made in reducing poverty in the previous period.

By the end of 2008, the standard of living of the poor and near poor, which had been rising, again began to decline due to the economic recession, with the crisis creating additional tension due to its impact on labour demand. As a result, poverty increased markedly between 2008 and 2009. Despite a decrease in the proportion of absolute poverty between 2005 and 2008, extreme poverty and absolute poverty increased from 2004/05 to 2008/09. In 2008/09 some 1.5 million Egyptians suffered extreme food poverty, about double the number in 2004/05, and absolute poverty rose from 19.6 per cent to 22 per cent. In contrast, the rate of near poverty dropped from 21 per cent before 2004/05 to 19.2 per cent in 2008/09, as many of that cohort moved into the ranks of the poor. According to this analysis, in 2008/09 31 million Egyptians, or nearly 40 per cent of the population, were poor or near poor.

The economic fluctuations especially affected vulnerable populations. A detailed comparison of labour rates and poverty in 2004/05 and 2008/09 shows that many of the poor were marginalised in the period of growth because they had little involvement in the most rapidly growing sectors. Rising food prices and other economic shocks exacerbated the impact. Workers in the informal sector and those with low levels of education sustained long-term damage, as further cuts to already depressed incomes pushed many working families into poverty. The crisis harmed families with children the most, especially those supporting large families, and families that relied on remittances from abroad. Poverty increased in rural Upper Egypt to its highest levels since 1995/96. Indeed, extreme poverty was concentrated in the rural south. At the same time, sluggish job creation limited the opportunities available to migrant workers from densely populated rural areas.

The loss of a job during the crisis year was the principal reason for families falling into poverty. A comparison of family data in February 2008 and February 2009 found that decreased employment rates in the family were responsible for more than one-third of cases of poverty (people who were newly poor). Moreover, policies designed to help families bear the impact of the crisis were inadequate to prevent more poverty. During the crisis, Egypt greatly expanded its food subsidy system and increased bread subsidies. According to World Bank data,4
without this expansion the poverty rate would have been at least three points higher, but this support was not targeted at those in need and was extremely costly (at least 1 per cent of GDP). Cash social aid programmes were expanded as well and helped some of the poor to avoid extreme poverty, but the impact was too slight to have any clear effect on national rates.

The rate of chronic or near chronic poverty in Egypt is about half the total poverty rate. The food crisis of mid-2008 sent about 6 per cent of the population into the ranks of the poor for the first time, while others were driven into poverty due to the loss of their jobs. Data from February 2009 indicate that the newly poor were younger than the chronic poor and were more likely to be non-agricultural workers.

According to the World Bank study, the crisis exposed a major weakness in the social welfare system in Egypt. The study found that the food crisis, combined with the impact of the global economic crisis, temporarily stalled and indeed reversed progress made on anti-poverty efforts in 2005–08, indicating that the comprehensive subsidy system could not protect families from shocks. The crisis showed that Egypt did not have a social safety net that offered adequate protection to the poor or those at risk of poverty in the event of an external crisis.

The food subsidy regime played a crucial role in maintaining standards of living, but because of its comprehensiveness, it can only minimally defray the impact on the poor of rising food prices. The report found that if it were not for food subsidies, the poverty rate in Egypt in 2008/09 would have been 31 per cent rather than 22 per cent, based on 2008/09 prices.

Inflation rates continued to rise, especially for major foodstuffs that constituted the bulk of expenditure for the poor and those with limited income. The Egyptian Central Bank in September 2010 noted that monthly inflation for August 2010 reached 2.85 per cent, bringing the annual rate (September 2009–August 2010) to nearly 11 per cent. More seriously, the biggest part of the monthly increase was attributable to food prices that were continuing to rise due to limited supply, especially of red meat, poultry, vegetables, fruits, rice, and vegetable oil.

According to the Central Bank statement, increases in the prices of vegetables and fruits for the second month in a row bumped up the monthly inflation rate. The price of poultry increased 30 per cent from January 2010 to the end of August, while the price of red meat rose nearly 25 per cent in the same period. The price of rice increased 43.5 per cent from May to the end of August, while fruits and vegetables went up 10 per cent in the month of August alone. These increases accounted for 79 per cent of the jump in general inflation that month.

During this period, for the first time in Egypt violence occurred over competition for food. A report issued by the Awlad al-Ard Center recorded that 14 people were killed, 190 injured and 137 arrested in fighting over bread in the first half of 2008 (ANHRI 2008). The same
scene was repeated, though on a narrower scale, in the summer of 2010. The press reported on 17 August (Shaath 2010) that a young man had been killed in a fight in a bread line at a bakery in Nagaa Hamadi, in Qena governorate. Daily newspaper *Alsharq Alawsat* reported:

> the sight of lines has again become common with the rarity of butane canisters, the price of which in some areas has risen to LE40, although the official price is LE2.70. The crisis has acquired tragic dimensions as two people were killed in the scrum to buy canisters and citizens suffer in in the exhausting search for them.

### 2.2 The business elite: monopoly, corruption, cronyism

The perceived corruption of political and business elites was a key driving force behind the 2011 revolution. Berlin-based watchdog Transparency International’s *Corruption Perceptions Index* showed that in the years preceding the revolution Egypt faced increasing corruption problems, falling from a rank of 70th out of 158 in 2005 to 115th out of 180 in 2008 (where first place is least corrupt). Moreover, according to a Pew survey (Chekir and Diwan 2012: 2), in 2010 corruption was the top concern of Egyptians with 46 per cent listing it as their main concern, ahead of lack of democracy and poor economic conditions.

The last government before the revolution was formed on 14 July 2004. It included most of the major businessmen close to Gamal Mubarak, while other business leaders held positions in the dominant National Democratic Party (NDP) or in one of the two houses of Parliament, some of them heading the most important committees in the parliament. Among them was Ahmed Ezz, a steel magnate and member of parliament, whose companies dominated Egypt’s steel industry after 2000, controlling up to 65 per cent of the local market at times, and who has been accused of having improperly acquired the largest public steel corporation at an artificially low price, generating excess profits, and having lobbied to raise external tariffs to gain protection from foreign competition and for Parliament to pass watered down anti-monopoly legislation.

Ezz was a prominent member of the NDP, a member of its influential Policy Committee, and the chair of Hosni Mubarak’s election campaign in 2005. In Parliament, he was the chair of the Budget Committee, which oversaw the work of the Competition Commission (Chekir and Diwan 2012: 2) A second example is Ahmed al-Maghrabi, majority owner of Palm Hills, the second-biggest real estate development company in the country, and simultaneously minister of housing. After the revolution he was accused of using his position to sell large tracts of land at heavily discounted prices to his own company and other individuals connected to the NDP (*ibid.*).

The significance of crony capitalism is that it excludes businesspeople who do not have access to policymakers. Thus many felt that even existing market-based, neoliberal policies were not operating as they should to encourage efficient products and sideline inefficient ones – the
fundamental promise of neoclassical theory and neoliberal policies. A great many businesspeople felt that at a certain point they would either turn over some of their profits to senior politicians or come up against an invisible ceiling that would stop them from further advancement, regardless of their capabilities.

It was therefore no wonder that some took part in the revolution or provided logistic support to demonstrators in Tahrir Square, giving them medicines or other goods. The prevalent sense was that the door of opportunity was closed even to members of the upper-middle and upper classes who had no connections with the political elite. Moreover, as el-Beblawi notes, ‘the private sector failed to establish a credible image in the public opinion as a dynamic, creative body. Stories and/or rumours of corruption and profiteering undermined its picture in the public eyes’ (el-Beblawi 2008: 10).

2.3 Political dynamics
For all their importance, these economic factors do not by themselves explain the 2011 revolution, however; political factors, including mobilisation, were also crucial. After the formation of the government under prime minister Ahmed Nazif in July 2004, supported by Gamal, many people realised that the move was laying the groundwork for Gamal’s assumption of power. This in turn prompted the formation of the Egyptian Movement for Change (Kefaya), whose defining slogans were ‘No to extension’ (the extension of a new term of office for Hosni Mubarak) and ‘No to inheritance’ (Gamal’s inheritance of power).

This was followed by the emergence of several movements and frequent demonstrations, strikes, and protests, whose size and geographic scope were unprecedented in Egypt’s history. The protests affected a variety of sectors took, and included civil servants and workers from across the country. According to one study, between 2006 and 2009:

more than 1.7 million workers took part in protests, a stark indication of the qualitative leap taken by the labor movement in Egypt. The vast majority of these strikes and actions were organised by labor leaders outside the official trade unions, which in many cases workers simply abandoned, seeing them as useless’ (Al-Mahdi 2012).

With protests gaining momentum and the opposition becoming increasingly vocal, the security apparatus stepped up its activities, and many citizens were treated violently in police stations and detention facilities. Many of these incidents were filmed with mobile phone cameras and posted on social networking sites, causing much outrage, especially among young people. This in turn prompted young protesters to set up the ‘We Are All Khaled Said’ Facebook page – named after a young man killed by police in Alexandria – which was seen by hundreds of thousands of people in the run-up to the revolution.

In addition, the State Security Investigations (SSI) service tightened its grip. The SSI received much criticism for its interference in public
life and attempts to control politics to ensure the regime’s survival. It vetted civil service employment at most significant state departments and agencies, linking employment to background security reports, and it similarly controlled most promotions, also based on security reports submitted to decision makers. Moreover, the SSI was in charge of highly sensitive political matters, including sectarian issues, and obstructed the activities of political parties, organisations and movements, either by direct harassment in the street or inciting schisms and dissent within their ranks. Finally, it kept a hand in the media and various cultural sectors, though its influence declined somewhat after 2005 (al-Aasar 2013).

The key political event that perhaps ignited the repertoire of accumulated rage, especially among the middle classes, was the People’s Assembly (lower house) election on 28 November 2010, with runoffs on 5 December, which were flagrantly rigged in a way that surpassed the usual fraud by the ruling NDP. While some parties and movements boycotted the elections from the outset, others – primarily the Wafd and Tagammu parties, as well as the Muslim Brotherhood – fielded candidates. Following violence and blatant fraud in the first round, Wafd and the Brotherhood, which had won 88 seats in the 2005 parliament, or 20 per cent, boycotted the second round. In the final count, the NDP won nearly every seat in the assembly.

Members of the middle classes, most of whom did not vote in the elections, were nevertheless resentful, perhaps because the fraud was conducted in their name. These feelings were stoked further when the NDP and the party’s secretary-general, Ezz, the architect of the fraud, took to the pages of daily newspaper Al-Ahram on 23 and 24 December, to write that the results were the natural outcome of the party’s efforts and the unprecedented economic successes the NDP government had achieved over the previous five years. The chair of Al-Ahram pushed the same line, most prominently in an article on 10 December, titled ‘Last Word on the Egyptian Elections’, in which he commented on the prevailing response among Egyptians to the election results:

I could not turn the page and move on to other subjects after encountering that outpouring of anger on the part of Al-Ahram readers in response to my commentaries on the recent parliamentary elections. Among the many letters I received, there was not a single positive reaction. Admittedly, they represent a relatively narrow segment of the Egyptian people, those members of the middle class who own a computer and act on their urge to comment on the articles they read, whether in Arabic or English, but they form a very proactive and vibrant segment (Said 2010).

Moreover, Mubarak further incensed the public when, during the inauguration of the new session of Parliament on 19 December, commented on the move by members of the political factions and former parliamentary candidates to create a shadow parliament saying, ‘Let them have their fun.’
Finally, one cannot deny that the uprising in Tunisia, the popular overthrow of Zine al-Abidine Ben Ali on 14 January 2011, was a contributing factor. It inspired the hope among young Egyptians in particular that the people could change their leaders and the state of the country.

All of these events motivated many to respond to the appeal to demonstrate on 25 January. Following violence against protesters, the crowds were bigger on 28 January, the ‘Day of Rage’, and there was a willingness to meet that violence with counter-violence. The events leading up to the uprising also prompted a very broad coalition of people to join the demonstrations that brought down the regime, a coalition that included businesspeople, the middle classes, unemployed young people, and poor workers and farmers. According to al-Mahdi:

The people that staged the revolution were not only the middle- and upper-class youth in Tahrir Square who wanted another president. Young and old people in Cairo, Suez, Beni Soueif, and Arish also took part. These people did not want to die in lines for bread, water, or hospitals, be arbitrarily abused by police, or be forced to remove their children from schools so they could work to make ends meet (Al-Mahdi 2012: 218).

2.4 Revolutionary violence
Despite widespread claims that the revolution was peaceful – which perhaps initially helped broaden and diversify the base of supporters and delegitimised security forces’ violent interference – the turn to violence in fact happened quite rapidly. Some young people used violence as a means to counter police violence, particularly on the Day of Rage. Groups of protesters also set fire to police stations, burning down 99 in total, and NDP offices (al-Aasar 2012).

Events evolved in an entirely unexpected direction. When the police apparatus collapsed on 28 January, security officials turned to their ‘plan B’, opening the prisons and releasing criminals. The same night, several shopping malls were looted and automated cash machines robbed. Some claim that police officers directly supervised these crimes, and while this is unverified, it is certain that the police showed no interest in stopping them. Other events followed that were tantamount to a campaign to terrify citizens and encourage them to remain at home. People were frightened by the prospect of roving gangs breaking into homes, and several false appeals for help were heard, particularly using women on television and radio news.

People’s response, however, was unexpected: they quickly formed neighbourhood watch committees to guard their homes and shops, searching cars on the streets and even directing traffic. For the first time, they disregarded the curfew that had been in place since 28 January and remained in the streets, guarding their homes and shops throughout the night. Revolutionary committees were set up at the entrances to Tahrir Square to guard against security forces.
and hired thugs. It thus became apparent that Egyptian citizens were prepared to fight violence with violence, which brought a rapid end to the organised wave of terror and panic.

The next step regime supporters (or the counter-revolution) took came in the ‘Battle of the Camel’, when prominent pro-regime businessmen, NDP leaders, and members of parliament paid thugs to use violence to remove the revolutionaries from the square. In an ugly attempt to justify the violent incursion, some said that the assailants were mostly informal day labourers who had lost their livelihoods in the week from 25 January to 1 February. In other words, they sought to portray events as civil strife that had resulted from the deteriorating economic conditions of citizens who rejected the uprising and wanted to reinstate security and the regime. This plan and its justification failed, as the revolutionaries stood their ground; at least 11 people were killed in the ensuing violence and more than 2,000 were injured.

The 18-day uprising ended with the fall of the Mubarak regime and SCAF’s assumption of rule on 11 February. Although some hoped to achieve the revolution’s objectives peacefully and build the country on more equitable foundations, events did not move in this direction. Indeed, the first outcome of the revolution was the dissolution of the broad-based coalition that made it:

When the protestors occupied Tahrir Square, first on January 25 and later on January 28, their unified slogan was ‘the people want to overthrow the regime.’ This ingenious slogan reflected an ad-hoc agreement among groups that all wanted to change the system of governance, but not necessarily in systemic ways that would endanger their interests. Others wanted more systemic change to protect their class interests against exploitation. While many of the protestors were part of the broad hegemonic elite, most of them came from the exploited classes. There was thus a momentary union between the upper and middle class and the working classes – a union that did not last long. After Mubarak was ousted, the media and parts of the middle class began to condemn ongoing strikes by the working class, accusing the strikers of advancing ‘selfish, parochial demands’ (Al-Mahdi 2012: 230).

The first post-uprising protests centred on the demands of workers, especially in various parts of the civil service. These demands included making temporary appointments permanent, wage increases, and wage parity for all workers in the same government body with the same educational qualifications, a particularly strident demand given existing wage gaps unrelated to competence or merit.

Overall, the explosion and continuation of violence that confounded everyone’s expectations can be attributed to two primary factors. First, some of those surprised by the continuation of the revolution scrambled to contain it within the narrowest bounds possible. From the outset,
they focused on saluting the noble, non-partisan, non-ideological youth who made the revolution, as if a lack of ideology were somehow praiseworthy and not, instead, the result of decades of moribund politics and gagging of the opposition. This stress on non-ideological youth signalled a fear of youth politicisation, especially after political awareness and participation increased to levels not seen in Egypt for some 60 years.

Second, as it became easier to establish political groups, dozens of parties were formed, along with perhaps hundreds of revolutionary and youth coalitions. Thus were the various groups that took part in the revolution fragmented, with the exception of the ever-cohesive Muslim Brotherhood. That the Salafis and their fledgling party later won a substantial bloc of votes in the parliamentary elections came as a surprise to all, but they too soon splintered, while as a whole the Islamist movement was divided among several parties. In addition, most Egyptians were not involved in any political organisation or direct political action, but instead responded to competing forces’ appeals according to their own historical sensibility or because of changes the revolution had made to their lives. As Richani notes, ‘Violence increases when the prevailing institutions fail to mediate among the various antagonistic forces unleashed by the socioeconomic and political change’ (Richani 1997: 37). The outcome of the political instability and security was a spike in political and social violence unseen in Egypt in the past century.

3 Towards the 2013 uprising

The political instability and lack of security impeded attempts to revive the economy. A vicious circle thus developed whereby the worsening economy led to greater instability and lack of security and vice-versa. Economic growth had fallen to around 2 per cent since January 2011, less than the population growth rate, which led to a decline in the standard of living, with the drop being steeper and faster for the poor. Other problems, such as rising unemployment, exacerbated the impact of poor growth.

In addition, the state racked up a large, persistent budget deficit and a sizeable deficit in the balance of payments, leading to declining foreign currency reserves at the Central Bank and an erosion of the value of the Egyptian pound. Foreign investments also dried up, including indirect investment in stock portfolios and foreign direct investment (FDI), and revenues from tourism plummeted as foreign tourists stayed away. Moreover, there were supply crises, in fuel, for example, and a deterioration of basic services, including electricity blackouts and interruptions of public transport, such as the railways, both of which had repercussions for production and worker productivity (Al-Samhouri 2012).

Unemployment and poverty are perhaps the two most serious socioeconomic issues that require clear, effective solutions because they have the most direct impact on the ability of any regime or political or social coalition to stabilise the political situation and provide security.
3.1 Unemployment in Egypt: manifestations and causes

According to the quarterly CAPMAS labour force survey, by the end of March 2013 unemployment stood at 13.2 per cent, with 3.6 million people unemployed out of a labour force of 27.2 million. In March 2010, by contrast, unemployment was 9.1 per cent, with 2.4 million unemployed. The total number of unemployed people had increased by 50 per cent – 1.2 million – in just three years, leading to an increase in the unemployment rate from 9.1 per cent in March 2010 to 13.2 per cent in March 2013. According to the labour survey, the economy was only created 157,000 jobs during 2012/13, while an additional 200,000 people joined the unemployment rolls during the same period.\(^5\)

Unemployment in Egypt has several distinct features, many of which existed prior to the revolution:

- It is concentrated among youth. Young people aged 15–29 make up 82 per cent of the unemployed. Among the 20–24 age cohort, unemployment stands at 42.3 per cent. This is linked with the second feature of unemployment.

- Unemployment largely affects the educated. Those with an intermediate, above intermediate, or university education constitute 70.7 per cent of the unemployed.

- Unemployment is much higher among women (25 per cent) than men (9.7 per cent).

The jump in unemployment is, as noted above, attributable to low growth rates and depressed economic activity as investment rates declined after the 2011 revolution. The 2010/11 Annual Report of the Central Bank (Central Bank 2012) noted a 1.8 per cent bump in GDP, compared to a 5.1 per cent increase in 2009/10 (ibid.) This deterioration in economic growth was due to the events and developments that accompanied the January 25 revolution, which led to a negative growth rate of 4.2 per cent in the third quarter (January–March 2011). As a result, according to CAPMAS data, unemployment increased to 11.8 per cent by the end of June 2011.

While the economy saw a slight improvement the next year (2011/12), as growth climbed to 2.1 per cent (Central Bank 2013), the rate was still far too low to absorb new entrants into the labour market, let alone make a dent in existing unemployment. In consequence, unemployment rose again, from 11.8 per cent in June 2011 to 12.6 per cent in June 2012. Economic growth rates remained low during 2012/13, at around 2.1 per cent, and unemployment continued to climb, reaching 13 per cent by the end of 2012, 13.2 per cent by March 2013, and an estimated 13.3 per cent by the end of the fiscal year in June 2013, which coincided with the end of the rule of Morsi and the Muslim Brotherhood.
3.2 Poverty in post-revolution Egypt
According to CAPMAS, the most salient features of poverty in Egypt between the uprisings were that:

- Some 25.2 per cent of the population lived below the national poverty line and 4.8 per cent lived in extreme poverty (2010/11). The poverty line was defined as monthly per capita expenditure of less than 256 Egyptian pounds, or a little less than US$1.50 a day using 2010/11 prices. This threshold was closer to capturing poverty than the extreme poverty line used by the World Bank, set at US$1.25 per day. In Egypt, extreme poverty was defined as monthly per capita expenditure of less than 172 Egyptian pounds, or less than US$1 a day, which was lower than the international line. The high poverty line was set at per capita monthly expenditure of 334 Egyptian pounds, or about US$1.80 a day, compared to a global high poverty line of less than US$2.25 per day. If the global measure is used, which includes the poor, extreme poor and near poor, then 42 per cent of the population is poor.

- Poverty was concentrated geographically, with higher rates in Upper Egypt. Using the national poverty line, poverty was highest in Assyout governorate, where 69 per cent of the population was poor. It was followed by Sohag (59 per cent), Aswan (54 per cent), Qena (51 per cent), Fayyoum (41 per cent), Luxor (39 per cent), Beni Soueif (38 per cent), and Minya (32 per cent).

- Unemployment was indisputably a prime cause of this increase in poverty. Egypt required annual investments of 28 per cent of GDP to absorb new entrants into the labour market and avoid adding to the pool of existing unemployment and poverty.

3.3 The informal sector: a source of livelihood tipping into violence
The most significant result of the rapid increase in unemployment after 2011 was that the unemployed turned to the informal sector, seen most visibly in the explosion of street peddlers and itinerant vendors. While Tahrir Square was, for the revolutionaries and the world, the site of the revolution, for a great many unemployed young people it represented a huge market and an opportunity to make a living. In the absence of police, a constant source of trouble for vendors, the square was a boon. According to Okasha, stability and an end to conflict with the police and army was not in the vendors’ interest; the revolution gave them room to exercise pent-up liberties and make a living without fear of police harassment (Okasha 2012). In fact, the situation evolved in a different direction. Peddlers sprang up in the streets of Cairo and all over Egypt, adapting themselves and their role to the political situation.

Vendors first began to use violence against attempts to eject them from Tahrir and other squares and streets. The violence was initially deployed with the approval of revolutionaries faced with attempts by the police and army to evacuate public squares. Violence was also at times seen between vendors and thugs, who attempted to collect protection
money, and peddlers themselves came into violent conflict over turf in more than one place in Cairo and elsewhere in Egypt.

The remarkable development was the speed with which the position of street vendors evolved and their flexible alliances with various parties depending on their interests. Initially, they joined the revolutionaries against the evacuation of the square. Later, when their conditions had stabilised somewhat and police left them to peddle their wares in peace, they allied with police against revolutionaries. Vendors on July 26 Street confronted a march of revolutionary Ultras and the Black Bloc on 3 May 2013. Following clashes between the two sides, the demonstrators retreated to Talaat Harb Square and from there to Tahrir.

Skirmishes had also occurred between vendors and protesters in support of the judiciary on 26 April. Vendors around the High Court threw stones at demonstrators, accusing them of interrupting their business. These are just two examples of the attitudes of vendors during Morsi’s tenure. Peddlers were also present in Raba’a and Nahda Squares during the occupation by the Muslim Brotherhood and their Islamist allies in June–August 2014. After Morsi’s removal, they began to confront Brotherhood protesters in Cairo and several governorates, especially Daqahliya and Sharqiya, usually in clashes that involved weapons on both sides.

The passage of time and persistent lack of security have led peddlers to recognise their weight and importance, and they have sought to establish a union to speak on their behalf with other political forces.

Indeed, the executive began to understand and appreciate the value of the violence used by street sellers – who tended to be apolitical – against their political enemies. ‘Solving the problem of street sellers requires deliberation and humanity. Instead of confronting them, what is needed is understanding, dialogue, and communication,’ Al-Youm al-Sabia reported Governor of Cairo Galal al-Said as saying on 28 September. The same story went on to say that he had tasked the deputy governor for the western zone with forming a field committee to find solutions to deal with the street vendors and come up with ways to absorb their numbers in mutually satisfactory ways.

The governor also noted that the peddlers had played a patriotic role in standing up to the riots by the Muslim Brotherhood during the events at the Fath Mosque in Ramsis (Al-Youm al-Sabia 2013b). Yet, even as street peddlers confronted political forces to defend their interests, they declared their readiness to confront any other force, including executive bodies, in defence of these same interests. Al-Youm al-Sabia on 7 October reported that street vendors in Ezbat Abu Hashish, near the Ghamra Bridge in Hadayeq al-Qubba, had warned the governor and executive agencies in the area not to confiscate their wares on Port Said Street, saying ‘It’s over our dead bodies if anyone comes near here to take our goods. We’re ready to fight the entire republic.’ They stressed that the goods were the sole source of their livelihoods (Al-Youm al-Sabia 2013a).
In short, the revolution and the security vacuum gave rise to many activities, either in response to opportunities or to mitigate deteriorating economic conditions, but in either case, they were predicated on violence or at least the willingness and ability to use it. These activities were primarily of two types: one criminal and illicit, including weapons-and drug-trafficking, theft and armed robbery; and the other licit, namely the expansion of the informal sector, which had resulted from declines in investment opportunities, economic growth, and the ability of the economy to create jobs in the formal sector. Political instability and a deteriorating economy continued to pose the greatest challenge to those in power, whether under the SCAF or during the tenure of Morsi and the Muslim Brotherhood.

It is not in the scope of this article to address issues such as youth, sectarian or Islamist violence and their trajectories under the SCAF and Morsi. Instead it examines how the political economy was a factor in citizens’ response to the Tamarod movement and the protests by millions all over Egypt seeking to remove Morsi and the Brotherhood from power.

3.4 Presidential elections and broken political promises
The first round of the presidential election on 23 and 24 May 2012 revealed a substantial shift in voting patterns compared to the parliamentary elections a year earlier. Morsi, the candidate for the Freedom and Justice Party (FJP), the political arm of the Muslim Brotherhood, came in first place with 5,446,460 votes (24.9 per cent), followed by Ahmed Shafiq with 5,338,285 votes (24.5 per cent), Hamdin Sabahi with 4,616,937 votes (21.1 per cent), and Abd al-Meneim Abu al-Futouh with 3,889,195 votes (17.8 per cent).

The Brotherhood realised the precarious nature of its position, given the very slim gap between Morsi and Ahmed Shafiq, his opponent in the run-off. In fact, the total votes received by liberal and leftist candidates, known more generally as the civil current (Hamdin Sabahi, Amr Moussa, Khaled Ali, Abu al-Ezz al-Hariri, Hisham al-Bastawisi, Ahmed Shafiq, and other marginal candidates) far outweighed those won by the Islamist current (Mohammed Selim al-Awa, Abd al-Meneim Abu al-Futouh, and Mohamed Morsi). The Brotherhood took action to secure sufficient votes for its candidate in the second round by making promises and electoral agreements with representatives of the civil camp, who rejected Shafiq as a representative of the ancien regime.

The most prominent of these agreements, the Fairmont agreement – named after the hotel where the agreement was reached – was concluded between Morsi and representatives of political factions. According to some who were involved, the agreement was finally reached after seven hours of negotiations. Perhaps the most significant aspect of the agreement was its affirmation of a national partnership and inclusive national project that would give a voice to the revolution’s goals and all segments of Egyptian society, including women, Copts,
and young people. It was agreed that the presidential team and a national salvation government would include representatives of all national trends, with the prime minister being an independent national figure. The newly formed government soon made it apparent, however, that Morsi was not meeting the terms of the agreement as president.

Soon after, Morsi issued a constitutional declaration on 22 November, which set his decrees above judicial review and immunised the Shura Council (upper house), in which the Brotherhood held a majority, and Islamist-dominated People’s Assembly (lower house). The declaration outraged everyone, including the president’s advisory team, which was formed to mollify the national forces. The declaration made it clear that the advisory body was simply a facade and that the president’s true advisers were Brotherhood members, and several non-Brotherhood advisers resigned. Morsi’s declaration sparked off widespread protests, and counter-protests by his supporters, that left two people dead and hundreds injured.

A major turning point arrived when armed Brotherhood militias on 5 December attacked protesters who were staging a sit-in in front of the Ittihadiya Presidential Palace, setting off clashes in which seven people were shot dead and hundreds injured. The president’s supporters also detained several people, questioning and torturing them. The events at Ittihadiya set in motion a massive response over the next few days in various Egyptian provinces. According to estimates, more than 1 million took part in the demonstrations on 7 December in protest.

Perhaps more important was the position of the majority who were not directly involved in political action, but simply watched events unfold. As time passed, a great number of Egyptians, particularly those unaffiliated to any political force, realised that the Brotherhood betrayal not only affected political forces that had made an agreement with the president, but themselves as well. Citizens faced numerous hardships in this period, from problems in obtaining butane canisters and diesel, to regular blackouts, piles of rubbish in the streets, and acute traffic jams, all of which the president had promised to resolve in his first 100 days in office (before he had made his constitutional declaration). Nor did the general citizenry feel that any of the economic promises in the president’s platform had been fulfilled.

3.5 Ambitious promises, constrained reality
Morsi’s presidential platform had addressed all aspects of economic, social, and political life in Egypt, but more than three-quarters was devoted to issues of social justice and economic development. This reflected a society whose electorate complained of economic problems and low standards of living, and where more than 40 per cent of the population lived below or near the poverty line. The platform assumed prominence because the Muslim Brotherhood publicised it as the plan of action that would bring about a major transformation in people’s lives. It created enormous expectations, as people awaited the rolling
out of the platform to meet their heightened aspirations. The most significant aspects of the platform are outlined below.

First, the platform clearly embraced a market economy, in which the private sector would play the largest role in realising economic and social development. In a Reuters interview in October 2011 Brotherhood-affiliated businessman Hassan Malek said that the economic policies pursued under Mubarak had been moving in the right direction, but were marred by rampant corruption and cronyism. Malek said that the future of investment in Egypt depended on the private sector and skilled labour. He also said that he supported the decisions former minister of trade and industry Rashid Mohammed Rashid had made, who worked to liberalise industry and attract more foreign direct investment, adding that the government must eliminate corruption and cronyism if it was to achieve development and growth (Awad 2011).

There was no problem with the presidential platform declaring its preference for a market economy; some may even have seen it as a good thing, insofar as it would entail no shake-up in the existing economic order that might provoke unrest or instability harmful to economic development and growth. The problem was that the platform offered no real explanation of how Morsi would rid the economy of corruption and cronyism, with the exception of a glancing reference to ‘enforcing the law protecting competition and preventing monopolistic practices, to prevent a group of companies or monopolies from imposing high prices for goods and services.’ The same reference was made elsewhere in the platform. Indeed, an existing law ostensibly protected competition and prevented monopolistic practices, but that did not prevent the rise of monopolies that had distorted the market, a fact well known to all. Morsi’s platform gave no indication of whether he was satisfied with the law and only sought to enforce it, or whether he had reservations about the law itself.

The lack of a clear stance on this issue in the platform may have raised doubts about the depth of change the new regime was committed to. It appeared to be merely a matter of bringing in a new set of cronies and interests to replace the discredited clique. In turn, this did not constitute a genuine revolution to reshape the economic system and its administration, even within the framework of a market economy. Instead, change was reduced to a conflict of business elites, with a new set of elites moving into favoured positions.

For example, Hassan Malek was selected to act as a bridge between the business sector and the presidency. Malek formed the Egyptian Association for Business Development and also selected the businessmen who would accompany the president on his trips abroad. This provoked objections from some businesspeople, who believed that a new clique of cronies was simply replacing the old regime’s cronies. In a workshop that the Carnegie Middle East Center and Partners in Development organised in Cairo on 8 November 2012, businessmen Mohammed Nour and Mohammed Qassem expressed their dissatisfaction with Malek’s
association, which they said was clearly involved in partisan battles, given its alliance with the current president. Questioning the association’s mission, they dismissed it as just another example of businessmen seeking to trade on their connections to the ruling party for privileges for their industries and to marginalise competitors (Said and Al-Qita’ 2013).

Second, the platform was filled with fine-sounding but extremely ambitious goals. Under a heading titled ‘Objectives of the Economic Program’ the platform aimed at ‘reducing current inflation levels of 11 per cent annually to less than half of the annual growth rate’. With annual growth set at 7 per cent on average, the goal was thus to cut inflation to 3.5 per cent annually (or 5.5 percentage points if the goal is to halve current inflation rates). The platform also strove to ‘cut the budget deficit by 20 per cent annually’ and ‘balance the deficit in the balance of payments by the end of 2016/17’, ‘increase foreign currency reserves to a level that insulates the Egyptian economy against any economic fluctuations’, ‘reduce domestic and external debt by 15 per cent annually’, ‘cut unemployment to less than 7 per cent by early 2016’, ‘double the number of beneficiaries of social security pensions, from 1.5 million to 3 million by the end of the program’, and ‘reduce poverty rates’.

Other objectives given elsewhere in the platform included plans to ‘increase health expenditure to 12 per cent of GDP by the end of the presidential term’, to ‘affirm the state’s guarantees for full health insurance without a minimum burden’; to ‘raise the minimum pension benefit, adopt an annual increase sufficient to cover price increases, and set a ceiling on pensions’; and to ‘gradually double the education budget to bring it up to global rates and increase allocations for scientific research to reach 2.5 per cent of national income’.

The platform committed to ‘redistributing income to achieve social justice and guaranteeing that every person receives enough to meet the minimum threshold of life’s needs by setting a minimum and maximum wage and changing the current wage structure to make the basic wage the foundation of one’s salary and base incentives and rewards on performance.’ The platform did not specify the minimum and maximum wage levels to be adopted, however, and this in a platform filled with numbers and percentages and in the midst of a real social debate about such levels.

While no one would disagree with such ambitious goals in principle, the question was how they might be realised. What policies and mechanisms would be adopted to meet them, especially because the platform set clear quantitative targets to be met in a limited timeframe? In fact, the platform included precious little clarification in this regard, especially in terms of government policies, though when discussing the economic role of the state, the platform alluded to restructuring the state’s role to make its two priorities fighting corruption and drafting economic policies (fiscal, monetary, and commercial).
The platform contained stark inconsistencies. In a section on fiscal policy, it supported ‘an incremental program to reduce the budget deficit to less than 6 per cent by early 2016’, which directly contradicted the target noted above of slashing the deficit by 20 per cent annually. The platform’s proposed fiscal policy included ‘a short- to medium-term plan to rationalise government spending, reconsider the tax code to ensure an equitable tax burden, and review the subsidy system to ensure it reaches the deserving.’

This section of the platform noted: ‘The most important features of any fiscal policy is the attempt to create a climate that fosters a dynamic private sector and generates strong growth, jobs, progress, and development in Egypt.’ No specific tax policy was explored or adopted, however, a remarkable omission in a platform so full of numbers and figures. The section only noted that:

- in terms of revenues, tax policy must focus on activating a tax structure consistent with international and regional standards that promotes business competition and cuts tax rates for small and medium businesses, which will bring in more tax revenue overall.

In the event, of course, these goals could not be realised. The platform’s hopes were that preservation of the existing tax structure (and tax cuts for some sectors) combined with increased domestic and foreign investment would increase overall economic activity, and that this in turn would enable the elimination of the deficit within five years. The Brotherhood and FJP leaders issued statements suggesting that Egypt had received promises of FDI from multinational corporations amounting about US$200bn over five years, or US$40bn a year, which exceeded the required level of investment (US$33bn the first year).

While campaigning in Nasr City on 6 May 2012, Morsi said that the government had held negotiations with several companies to bring in this level of investment, and the acting presidential spokesman said on 27 June that some US$200bn in foreign investment would be pumped into the economy in the coming period. But this was wholly unrealistic. Foreign investment flows to Egypt between 2005 and 2010 (the best years for FDI in Egypt) were only US$49.6bn. In fact, total FDI in Egypt from 1970 to 2010 was no more than US$73.1bn. That is, in four decades, Egypt had received only 36 per cent of the investments it was ostensibly to receive in just five years.

During Morsi’s year in office, the government made no progress towards any of the major objectives cited in the platform or the target growth rate of 7 per cent needed to reduce unemployment and improve living standards. FDI inflows into Egypt from July 2012 to March 2013 totalled US$6.9bn, falling slightly short of the US$7.1bn in FDI in the same period the previous year. Assuming that the target was $30bn for nine months, FDI was only 23 per cent of the target promised in the president’s platform. According to data from the Ministry of Planning, growth reached only 2.1 per cent during Morsi’s tenure, compared to the target of 7 per cent. As a result, unemployment was up by 0.8 per cent
in late June 2013, reaching 13.3 per cent, compared to 12.5 per cent in June 2012, instead of dropping 1.5 per cent as promised by the platform (Ministry of Planning 2013; Central Bank of Egypt 2014). It was not only these objective conditions, but also the disillusionment arising from unfulfilled promises, that underpinned Morsi’s overthrow.

4 Conclusion

An examination of the political economy drivers that contributed to people reaching a tipping point prior to the 2011 and 2013 uprisings shows that the economic situation continued to decline throughout this period. But in both instances, it was when people felt that the political handling of the economic situation was so unbearable that they reached a tipping point. Both regimes pursued neoliberal policies. But in 2011, it was the increasing sense of indignation among the middle classes and poor over political corruption in the management of economic resources, with no prospect of improvement, that drove people eventually to protest. And in 2013, it was the scale of disappointment at the unmet aspirations for change, and the disconnect between the promises of betterment and the dire economic situation on the ground that convinced people of the need to search for an alternative.

Mubarak pursued a neoliberal policy whose benefits were reaped by a small business elite. Such a policy led to an increase in poverty and unemployment on an unprecedented scale, and the informal sector became the only avenue for job opportunities, which were incompatible with the aspirations of graduates of tertiary and intermediary level education. These factors worked in constellation with growing political corruption, in particular with respect to the inheritance of power from Mubarak to his son, and the practices of the ruling party that led to the disenfranchisement of the middle classes, while the poor fought – and were killed – lining up for bread and cooking gas, basic services deteriorated.

The Muslim Brotherhood did not oppose Mubarak’s neoliberal policies, only the levels of corruption that characterised his last years in office. Consequently, the Brotherhood pursued the same economic policies, but replaced Mubarak’s men with their own group of businessmen who would endorse and support their regime. Under the Brotherhood’s rule, Morsi adopted policies that the opposition perceived as highly exclusionary, but also led to a sense of unmet aspirations among ordinary citizens who were expecting improved livelihoods under the ‘Renaissance’ (Al-Nahda) project. Instead, they continued to experience difficulty in accessing energy and did not see any improvement in their economic situation.

When leading Brotherhood member Khayrat el-Shater announced that Al-Nahda was a set of ideas open for discussion and debate rather than guiding an action plan for implementation, people lost trust in the Brotherhood’s ability and commitment to deliver on its promises. At that point people became responsive to the Tamarod movement’s petition to withdraw trust from Morsi and support the idea of bringing forward the presidential election and removing him from power.
Notes
1 See for example www.atlanticcouncil.org/blogs/egyptsource/five-years-on-security-and-economy and http://carnegie-meca.org/2016/01/21/chasing-egypt-s-economic-tail/it1c
2 See, for example, Collier and Hoeffler (2004).
4 Ibid.
5 Some claim that real unemployment far exceeds the official rate. In that year, 357,000 joined the ranks of the unemployed, on top of the 700,000 new entrants who join the market every year. This suggests a clear contradiction in the data on employment in the years leading up to the revolution; see El-Erian (2012).
6 A youth-led movement that drew up a petition to call for an early presidential election on account of the failure Morsi’s government to deliver on its promises, and which was one of the movements that called on people to take part in a mass uprising against the Muslim Brotherhood regime on the occasion of its first anniversary in office.
7 References to the content of Morsi’s presidential platform come from Sobhi (2012).

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