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CHANGED REGIMES, CHANGED PRIORITIES?
ECONOMIC AND SOCIAL POLICIES
AFTER THE 2011 ELECTIONS IN TUNISIA AND EGYPT

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Working Paper No. 928

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Abstract

This paper seeks to examine the economic and social policies that key political actors in Tunisia and Egypt advocated and partly implemented after the departure of the former authoritarian rulers, Zin al-Abdin Bin Ali and Husni Mubarak. The paper focuses on actors strong enough to directly influence policy choices: parties that were part of however informal parliamentary majorities, governments, and, in the case of Egypt, the president of the republic, who in line with constitutional arrangements, wielded important powers. The paper first summarizes the economic and social policies publicly advocated by the parties and individuals who dominated elected assemblies and executives after the fall of former autocrats. It then discusses the policies that the new Islamist rulers implemented from their election in late 2011 until the summer of 2013 (subsequent publications will cover longer periods of time). In a third step, both policy statements and decisions are examined in the light of assumptions about the origins of the Arab Spring and compared with policies under the old regimes and their effects.

JEL Classifications: P2, F5

Keywords: Social Policies, New Regimes, Arab Spring, Egypt, Tunisia

ملخص

تسعى هذه الورقة إلى دراسة السياسات الاقتصادية والاجتماعية للجهات الفاعلة السياسية الرئيسية في تونس ومصر التي تم تنفيذها جزئياً بعد رحيل الحكام المستبدين السابقين، زين العابدين بن علي وحسني مبارك. وتركز الورقة على الجهات القوية بما يكفي للتأثير مباشرة على الخيارات السياسية وهي الأحزاب التي كانت جزءاً من الأغلبية البرلمانية ولكن غير رسمية، والحكومات، وفي حالة مصر، رئيس الجمهورية، التي تمارس أنشطتها تمثيلاً مع الترتيبات الدستورية. وتلخص الورقة أولاً السياسات الاقتصادية والاجتماعية المعلنة من قبل الجهات والأفراد الذين كانوا يهيمنون على انتخابات المجالس والمديرين التنفيذيين بعد سقوط الحكام المستبدين السابقين. ثم تناقش الورقة سياسات الحكام الإسلاميين التي نفذت من انتخابهم في أواخر عام 2011 حتى صيف عام 2013. في الخطوة الثالثة، يتم فحص كل من البيانات السياسات واتخاذ القرارات في ضوء الافتراضات حول أصول الربيع العربي ومقارنتها مع السياسات في ظل الأنظمة القديمة وآثارها.

1. Introduction

Even though systematic, detailed, and methodologically sound explanations of the events commonly referred to as the Arab spring will take time to be completed, it is fair to assume that large-scale popular protests and the subsequent transformation of political regimes were prompted by a combination of socio-economic and political factors. In a nutshell, authoritarian government had over years and decades prevented numerous actors from articulating their grievances in ways that would have allowed addressing and alleviating them effectively. Many of these grievances were related to socio-economic developments that widened (or sometimes seemed to widen) the gap between income and opportunities on the one hand and expectations based on past experience, official propaganda, and comparisons with the outside world on the other (Achcar 2013; Amin et al. 2012; Council 2012; Gelvin 2012; El-Meehy 2011; Kienle 2012; Lynch et al. 2011; Zurayk 2011).

The advent of less repressive and more participatory political regimes after the departure of the former autocrats seemed to open up new opportunities to formulate and implement economic and social policies that could meet these expectations, address the old grievances, and avoid creating new such grievances. However, in principle, the advent of more participatory or even democratic regimes offers no guarantee that such potential is actually translated into practice (e.g. Scharpf 1999). Put differently, input legitimacy that the rulers enjoy thanks to their election by the ruled does not automatically entail output legitimacy in terms of policy delivery, neither in Arab nor in any other countries. Like authoritarian regimes, democracies may fail to meet the expectations of the ruled. Less repressive by nature, they may even be challenged more quickly and more easily than their authoritarian predecessors or counterparts.

From this perspective, the paper seeks to examine the economic and social policies that key political actors in Tunisia and Egypt advocated and partly implemented after the departure of the former authoritarian rulers, Zin al-Abdin Bin Ali and Husni Mubarak. The paper focuses on actors strong enough to directly influence policy choices: parties that were part of however informal parliamentary majorities, governments, and, in the case of Egypt, the president of the republic, who in line with constitutional arrangements, wielded important powers. The paper first summarizes the economic and social policies publicly advocated by the parties and individuals who dominated elected assemblies and executives after the fall of former autocrats. It then discusses the policies that the new rulers implemented from their election in late 2011 until the summer of 2013 (subsequent publications will cover longer periods of time). In a third step, both policy statements and decisions are examined in the light of assumptions about the origins of the Arab Spring and compared with policies under the old regimes and their effects.

2. Declared Policy Objectives

In Tunisia and in Egypt Islamist forces were the major winners of the first elections held after the demise of the *ancien régimes*. In Tunisia Al-Nahda (Ennahda), a party that had grown out of the local Muslim Brothers, obtained 89 out of 217 seats in the Constituent Assembly elected in October 2011 and a majority of seats in the new government, including the prime minister and most of the key portfolios. In Egypt the Freedom and Justice Party (FJP) established by the Muslim Brothers (MB) obtained some 45 percent of the votes and of the seats in the People's Assembly elected in late 2011/early 2012. Candidates of the Salafi Nur Party won some 25 percent of the votes and the seats. Though by and large standing for a different blend of Islamism and an electoral competitor of the FJP, deputies of the Nur Party frequently voted alongside the latter in what, at least on the surface, appeared like an Islamist coalition. Some members of the Nur Party later joined the newly established Watan Party. The FJP candidate, Muhammad Mursi, was elected President of the republic with 51.7 percent of the votes in a second round of voting in June 2012. In Egypt Islamist forces largely dominated institutional politics until July 2013, when following new large scale street protests across the country the military removed Mursi from office. In Tunisia Al-Nahda continued to dominate institutional

politics until late January 2014, even though it was continuously challenged, at times severely so.

In their electoral platforms these parties and their candidates sketched out, and sometimes detailed, the policies they promised to pursue in various domains, including the economy and social protection. However, these programmatic statements were often purely assertive in tone and sometimes highly selective thematically; they were silent on entire policy areas and hardly addressed the means supposed to reach the ends (see also Saif / Abu Rumman 2012). The following overview remains limited to the general economic orientations, including budgets, taxation and monetary policies; the balance between the private and the public sector; integration in the global economy; the role of markets in the allocation of resources; more generally the extent of regulation; and the distributional policies, including social protection, which they propose. It also shows that Islamizing the economies and social protection was not an immediate concern for the Islamist governments.

2.1 The Freedom and Justice Party (FJP) in Egypt

Before the parliamentary elections held in 2011-12 the FJP published a party platform (FJP 2011) that presented economic and social policy choices in far greater detail than had done an early version of the Nahda (Renaissance) program (not to be confused with the Tunisian party Al-Nahda) issued by the MB (Muslim Brothers 2011; for the later version see Muslim Brothers 2012). It stressed the rule of law as a prerequisite for economic development; 'self-reliance' based on the preferential use of 'local resources,' exemplified, for instance, by import substitution; the fight against corruption; and the gradual alignment of policies to values and norms that the party considered Islamic - thus 'Islamic banking' was to be promoted in the economic and *zakat* and *waqfs* in the social realm.

The platform sought to 'give a greater role to the private sector without eliminating the role of the state.' At the same time, though, further privatization plans were to exempt 'strategic industries such as pharmaceuticals, food, energy, etc' or at least give priority to 'national investors.' Simultaneously, small and medium enterprises (SMEs) were supposed to be strengthened. The FJP thus provided rough directions for the future development of the private and the public sector but steered away from any attempt to identify their respective roles systematically. Considerations of economic nationalism also sought to limit foreign loans and grants to a strict minimum. The FJP called for self-sufficiency in basic commodities such as wheat, sugar, oil, meat and cotton, thus restricting foreign trade.

Either explicitly or implicitly regulation was a pervasive theme of the platform. The existing five year plan was to be implemented without further delays; antitrust legislation and the existing Consumer Protection Agency and Antitrust Authority were to be reformed to remove them from the 'control of businessmen.' Another provision allowed market mechanisms to be suspended for basic commodities and for prices to be set by government 'if necessary.'

Fiscal policies included higher export prices for Egyptian gas and oil; a shift from general consumer subsidies to direct support for needy citizens, possibly through cash or other forms of personalized support; cuts in subsidies for energy intensive industries and certain exports; a raise in the price of electricity for major consumers; progressive taxation of incomes with more tax exemptions for lower revenues; tax cuts for 'labor-intensive' industries; and a small tax on certain capital gains that were not reinvested. A reform of the real estate tax was supposed to foster 'new regional growth areas,' not least 'outside the Nile Valley.' The platform omitted any reference to the sales tax introduced as part of the economic reforms implemented since the early 1990s.

By and large fiscal policies aimed at a balanced state budget by cutting expenditure and raising revenue in ways consistent with current assumptions of orthodoxy. Undue largesse, such as

hidden state support for crony capitalists and supposedly unjustified subsidies, were to be discontinued. On the revenue side, a degree of distributive justice was sought through progressive taxation and the taxation of capital gains. Moreover, fiscal policies were seen as an instrument to reorient investment towards desired economic activities.

Within these parameters, government expenditure was to improve the living conditions of ordinary Egyptians and strengthen development. Gradually, over five years, the FJP sought to 'reform the wage structure... that a basic salary is at least 80% of the total salary, and... the minimum wage is 1200 Egyptian pounds.' Maximum and minimum wages were to be set by the government and indexed on inflation. Temporary employment contracts were supposed to be transformed into permanent ones wherever possible. Simultaneously, farmers would benefit from various sorts of support, including interest free loans. It is unclear whether the wage and employment related provisions were to apply to the private sector as well. Simultaneously, pensions were supposed to be increased with the lower ones to provide benefits of at least US \$1 per family member and day. Spending on scientific research was to be increased in order to contribute to development. The same applied to 'public investment in essential, vital sectors such as education, health, transport and housing, in line with internationally recognized rates as a proportion of GDP'.

Apart from tax measures and minimum wages already mentioned, poverty alleviation included special attention to the thousand poorest villages, a program already invented under Mubarak; the extension of social security cover to all Egyptians; legislation to prevent the privatization of social security insurance and pension schemes (as planned under Mubarak); and micro-credits for the needy. The platform also emphasized the social responsibility of businessmen and 'the *zakat* and *waqf* system [as] one of the ways Islam uses to fight poverty, eliminate unemployment, achieve social and economic justice, strengthen social solidarity, and cohesion and prevent accumulation of wealth in the hands of the few.'

The immediate effects of unemployment were supposed to be tackled through the creation of a 'national fund for unemployment benefits.' In the longer term, jobs were supposed to be created through parallel policies aimed at 'eliminating obstacles hindering private sector' growth; 'developing public health and education services [...] to accommodate large numbers of graduates;' pushing 'the banking system' to invest unused savings, which amount to half a trillion Egyptian pounds;' privileging labor intensive industries; and matching education with labor market requirements. There was also a role for the 'effective use of foreign direct investment in creating new projects, keeping as far as possible [away] from transfer of ownership schemes, while avoiding concentration of foreign investment in the extractive industries.'

On balance, envisaged employment and social measures heavily depended on public expenditure and on various forms of regulation that encourage or force domestic and external private sector actors to create jobs. As discussed below, some of these measures may be contradictory or otherwise problematic.

Finally, associations representing agricultural workers and the disabled were supposed to be strengthened. An amendment to the Labor Law of 2003 was to achieve a however unspecified 'fair balance between the interests of businesses and workers.' An amendment to the trade union law of 1995 was to 'increase trade union freedoms and prevent the fragmentation of the trade unions;' the latter aim, though, may simply have been a euphemism for dissolving the independent trade unions that over the previous years emerged and challenged the monopoly of the docile General Federation of Trade Unions. By implication, the sale and purchase of labor, and therefore the so called labor market, remained heavily regulated.

2.2 The Nur Party in Egypt

The Nur Party only vaguely defined the principles supposed to organize the economy (Al-Nur 2011). It also failed to elaborate on the relations between the private and the public sector; the integration of Egypt in the global economy; the role that markets should play in the allocation of resources; and the extent to which the economy as a whole should be regulated. Important issues such as taxation, labor migration or monetary and exchange rate policy were not discussed at all.

The call to nationalize or maintain under state control ‘strategic industries’ producing food and military equipment openly favored a strong public sector in some of the key areas in which manufacturing industries are active in Egypt. The envisaged privatization of other industries, and the emphasis on SMEs gave some idea of the ways and areas in which the private sector was to operate. Still, in the absence of a positive list of areas of activities that should be left to the private sector the platform evaded a clear answer as to its desired role and size.

The future form, extent and nature of exchanges with the rest of the world also seemed of little concern to the party. Beyond generalities the platform only elaborated rather briefly on a few specific issues such as the priority to cooperate with other Arab and Muslim countries; it paid special attention to Sudan, where agricultural products were to be grown for consumption in Egypt. Protectionist leanings appeared in the injunction to raise the competitiveness of Egyptian products merely to replace imports.

The role of market mechanisms in the allocation of resources is another aspect that the platform hardly discussed. The only explicit call to ‘liberalize’ prices referred to agricultural products sold by small farmers. At the same time, however, the justification for such liberalization betrayed interventionist leanings. Liberalized prices for agricultural products were ultimately supposed to guarantee the livelihood and survival of small farmers; by implication, prices could be fixed by government if the welfare of small farmers required it. For the same reasons the prices of agricultural inputs such as fertilizers were supposed to be subsidized. Without clearly defining the scope and limits of market mechanisms in other areas, the platform subjected them to a number of restrictions, such as the need for banks (which were not defined as part of either the public or private sector) to offer loans in line with ‘overarching development interests.’

Emphasis put on various forms of planning indicated a preference for either a largely public sector based economy or for a private sector based economy that was heavily regulated. The platform referred to a ‘developmental state’ and a ‘national plan’ focusing on manufacturing industries; communications and nano technologies; infrastructures; the protection of arable land; and the equal development of all parts of the country.

Whether in the public or in the private sector, the creation of employment opportunities was also primarily conceived of in terms of government policies and regulation. Apart from combating unemployment, government policies were supposed to guarantee social justice through minimum and maximum wages (the latter no more than twenty times the amount of the former) and, more generally, the ‘fair’ distribution of income and wealth. Implicitly, at least, the state was responsible for much needed improvements in health, education, and vocational training. According to the platform, investment in the professional qualification of workers not only served individuals concerned, but also enhanced the competitiveness of the economy at large. Similarly, there seemed to be a demand for government action in areas such as the creation of effective links between ‘scientific organizations’ and the economy; and the provision of housing for the young - the only concrete category of individuals explicitly referred to apart from small peasants and small and medium entrepreneurs.

At any rate, public spending was supposed to rise substantially to fund education and health in general. Social security coverage, though, was not only to be expanded but its priorities were

to be redefined. Private service providers were supposed to coexist alongside public providers to meet an unspecified need for overall planning, but also with a pioneering role, at least in the area of health.

Last, and possibly least, legislation was to be adapted to the norms that the party considered Islamic. *Zakat* and *waqfs* were to play a role in social protection, while interest on loans, 'hoarding', the manipulation of prices and monopolies were meant to disappear; anti-trust legislation in Europe and in 'developed economies' more generally was considered as a model to emulate. The respect of norms considered religious was however supposed to be gradual in order not to harm the economy in the short term. The fight against corruption was mentioned only in passing.

2.3 *Al-Nahda (Ennahda) in Tunisia*

Often explicitly and sometimes in between the lines, the platform published by al-Nahda prior to the 2011 elections to the Constituent Assembly (Al-Nahda 2011) sought to create a dynamic capitalist economy built on the foundations advocated by mainstream economics. Thus it stressed the need for a balanced budget, a cap on public debt, and central bank independence; encouraged companies to list their shares on the stock market; promoted 'enhanced money market mechanisms;' and intended to create a 'supportive business environment.' Smaller banks were supposed to merge into bigger and stronger ones, and, more generally, banks were supposed to raise additional capital.

Quite openly many of the recommended measures were intended to further integrate the country into the global economy. Foreign banks were explicitly encouraged to enter the Tunisian market. Mergers of Tunisian banks were supposed to enable the new, larger banks to 'compete in external markets, develop export activities, and attract foreign funds.' At one stage, the platform even aimed at 'transforming Tunisia into a regional financial center with international influence'; elsewhere it insisted on the need for good governance to attract investors. New foreign markets were sought for increasing exports of goods and services, in particular of 'high tech services,' but also agricultural and fishing products. New free trade agreements were to be signed. However, the search for 'national food security' overrode external economic liberalization as the party 'encourage[d] the production of strategic commodities.'

In an effort to revitalize the economy and increase its openness to the outside world, government policies were by and large supposed to help the private sector to enhance productivity and competitiveness. To what extent the state was supposed to act as a regulator or funder is not always obvious. Public funds seemed indispensable for the promised launch of 'mega and infrastructure projects' that, for instance, improved public transport and more generally upgrade roads, railways, ports and airports. The same probably applied to the development of handicrafts industries and industrial zones, the exploitation of hydrocarbon reserves and the switch to renewable energies. State intervention possibly relied less on fiscal measures in other areas such as the provision of microfinance to small enterprises, the development of food processing industries or the further development of tourism with particular attention to the 'upper end of the tourism market' (and 'Islamic' and 'medical tourism'). Interestingly, the platform said comparatively little about the regulatory activities of the state with regard to markets, including issues such as anti-trust legislation.

At the same time, there was a moderate participatory aspect to state intervention to the extent that it was supposed to involve future elected local authorities and professional organizations, particularly unions and agricultural cooperative companies.' Al-Nahda stressed the right to strike and to form independent trade unions, but their role in economic governance, collective bargaining and social matters remained undefined.

The platform intended to guarantee a degree of social justice through a host of measures, many of which were simultaneously supposed to strengthen economic dynamism and growth. Horizontally, it sought to address the economic and social challenges faced by the ‘inner regions’ of the country, which are far poorer and economically less developed than the coastal areas. For instance, specific arrangements and institutions were supposed to provide additional credit to these parts of the country. Vertically, it defended the principle of progressive taxation through fiscal policies that alleviate the tax burden on low and medium incomes, thus supporting the ‘middle class.’ The fight against poverty focused on an increase in allowances for the poor; an increase in minimum wages to at least one percentage point above inflation; a new scheme for young graduates from poor backgrounds to receive benefits up to one year after graduation; the creation of an ‘unemployment fund’ to help the unemployed; and, apparently, higher pensions.

With regard to employment and income, the platform stressed the need for government to create some 590,000 jobs over five years, at least partly in the private sector, but also through infrastructure and ‘mega projects;’ to reduce the overall unemployment rate to 8.5 percent by 2016; to reduce more specifically unemployment among university graduates by creating appropriate jobs, enhancing their employment relevant skills, and accompanying social measures such as reduced public transport fares; to provide appropriate but still unspecified support other youths; to raise the income of farmers by ‘restructure[ing] supply and export channels;’ and to improve the conditions of Tunisians working abroad.

Welfare related objectives, moreover, included an apparently ambitious and detailed housing program for various categories of those in need; a healthy environment and appropriate response to the challenges of climate change; improved health care through better management and free access to services for the less privileged; an increase in the schooling and a decrease in the drop-out rate; significantly improved vocational training; the absence of any form of discrimination against women in general and in terms of employment and political participation in particular.

Addressing needs of specific categories of people such as young graduates, youths in general and the lower income strata, the proposed measures aimed at containing the social dislocations and inequality produced and reproduced by a capitalist economy. They sought to combat or alleviate poverty without fundamentally questioning inequality in the distribution of income and wealth. They created or strengthened a welfare regime that was largely reduced to a social safety net.

2.4 Selected Interviews

Interviews with party representatives in both countries confirmed a preference for, and emphasis on, fiscal conservatism and other aspects of economic orthodoxy as currently defined. Representatives of al-Nahda tended to maintain that only a largely private sector based economy openly embracing free trade and globalization is able to generate sufficient growth to raise living standards in general and to resolve the numerous social problems of Tunisia, including the impending insolvency of social security agencies. Social transfers were a temporary necessity that would progressively disappear once the benefits of growth trickle down to everybody and private welfare schemes based on *zakat* and *waqfs* play a greater part in supporting the remaining poor. Foreign investment and various forms of government encouragement were supposed to help the country to climb up the value added ladder and become increasingly competitive in world markets. State intervention funded through minimal taxation should focus on creating the appropriate environment for private sector activities to attain this goal and provide some additional social safety in this ‘social and solidarity based economy’ (interviews, Tunis, April 2013).

Partly similar views were expressed by members of the Egyptian MB who authored or defended the Nahda program published prior to the elections. In their eyes, growth was the touchstone of economic development that, supported by policies of inclusion and empowerment, would reduce poverty, inequality and improve social justice. The engine of growth is competitiveness, which in turn involves a transition to high value added products such as information, communications and nano technologies. Except for ‘strategic industries,’ the economy should be private sector based, with the state merely establishing a regulatory framework that ensures growth and development. SMEs need to be supported, as well as PPPs, which, without excluding foreign companies, should include local ones as much as possible. In the area of social policies as well, the state is only the last resort: to act only when civil society has failed (interviews, Cairo, April 2013).

Within the MB and the FJP this approach nonetheless seemed to be tempered by a competing one that appears to be more étatist and protectionist. Its proponents held that the government needs to guarantee the survival of Egyptian industries and more generally pursue a policy of self reliance. Economic ties should primarily be strengthened with friendly countries, in particular in Asia, mainly through complementarity. Once again, though, economic growth was supposed to provide the answer to social dislocations; primarily private welfare activities inspired by religion were to address them as the government can improve social security arrangements only within budgetary constraints (interviews Cairo, May 2013). No doubt some of the vagueness of the FJP platform reflected these partly competing views.

By and large, the lines of argument developed by representatives of the Nur Party resemble those already quoted. The role of the state is limited to the provision of basic needs, partly through its control of ‘strategic industries’ and the establishment of a regulatory framework that guarantees the freedom of the private sector and, slightly contradictorily, private sector guided growth and development. In particular cases, tariffs may contribute to such development, but domestic producers should primarily be supported in other ways. Taxes should be low because they are always in one way or another passed on to consumers or the less wealthy. Social welfare entirely depends on economic growth; needs that are felt before growth picks up and those that might continue to be felt even then should primarily be addressed through private aid and popular solidarity (interviews, Cairo, April 2013).

3. Policies Implemented by Elected Governments

3.1 Policies under the Jabali and Larayedh governments in Tunisia

Headed by Hamadi Jabali, the first Tunisian government formed after the elections to the Constituent Assembly remained in office till mid-January 2013. Like Prime Minister (PM) Jabali, the majority of its members belonged to the Al-Nahda Party that had won some 40 percent of the vote and seats in the elections. Most key portfolios were in the hands of members of Al-Nahda. The complexion of the government remained roughly the same under PM Ali Larayedh, also from Al-Nahda, who replaced Jabali in March 2013. The ministers in charge of the economy, Ridha Sa’idi, and finance, Elyes Fakhfakh, remained in office. The Larayedh government remained in office until January 2014, when it was replaced with a government of technocrats; the latter prepared the autumn general elections under the new constitution that Al-Nahda lost.

The government drafted two budgets, one for 2012 that was soon revised, and the other for 2013 that was also revised a few months into the financial year; both draft budgets were by and large enacted by the Constituent Assembly. Largely reflecting the choices that inspired the budgets, a number of additional laws, decrees and decisions concerned the economy and social protection.

These decisions and policies need to be seen against the backdrop of changes in key economic indicators prior to the advent of the Jabali and Larayedh governments (for an overview of the political economy of Tunisia see for instance Achy 2011; Ben Romdhane 2011); even later these indicators only in part reflected official policies that continued to be affected by opportunities and constraints beyond the reach of the governments. The growth rate declined from some 4.5 percent per annum in the decade preceding the uprising to 3.1 percent in 2009, 2.8 percent in 2010, and -1.9 percent in 2011, before picking up to 3.6 percent in 2012 (at the time expected to reach 4.0 percent in 2013). One of the growth factors, foreign direct investment (FDI), declined by 30 percent between 2010 and 2011. Gross investment remained roughly constant at about 25 percent of GDP. Annual GDP per capita stood at US \$4,177 in 2009, 4,199 in 2010, 4,350 in 2011; it was projected to reach 4,483 in 2013. Overall inflation remained roughly constant in this period but rose from 3.5 percent in 2009 to 4.4 percent in 2010. However, food prices had risen by some 30 percent from 2004 to 2010. The current account balance also deteriorated from -2.8 percent of GDP in 2009 to -4.8 percent in 2010, -7.3 percent in 2011, -8.1 percent in 2012 and an estimated -7.5 percent in 2013. Gross currency reserves declined from US \$10.6 bn in 2009 to 9.5 bn in 2010, and 7.5 bn in 2011 before recovering to 8.6 bn 2012 and a projected 9.0 bn in 2013. The budget deficit reached 7.3 percent of GDP in 2013. Total public external debt stood between 47.8 and 49.5 percent in 2000-2011 but rose to more than 51 percent in 2012 and at the time was expected to reach 54.5 percent of GDP in 2014. Officially, the unemployment rate was 13 percent in 2009 and 2010 but reached 18.9 percent in 2011 and 16.7 percent in 2012. Youth and female unemployment stood at 33 and 24 percent, respectively (IMF 2013). As recalculated by the National Institute of Statistics in 2012, the poverty headcount had roughly halved since 2005 but continued stand at some 15 percent of the population (La Presse 10/12/2012). Over the 2000s, the GINI index rose slightly from 41 to 41.5, while the Human Development Index (HDI) rose steadily from 0.69 in 2006 to 0.71 in 2012 (UNDP).

3.1.1 Budgets

The initial 2012 budget

The initial 2012 budget anticipated total expenditure of just under Tunisian dinar 23 bn, which reflects a 8.7 percent increase on the 2011 budget. Voted in late December 2012, the budget had still been elaborated by the previous government under Beji Caid Essebsi before it was submitted to the Constituent Assembly by the Jabali government.

Tax and non tax receipts were expected to cover some 70 percent of expenditure, with the remainder to be borrowed. Borrowing, thus, was to increase by some 46.5 percent compared to the previous fiscal year. Current expenditure was expected to amount to some 13.5 bn dinar, an increase of 7.1 % on 2011. With some 8.6 bn dinar, salaries accounted for most of current expenditure, rising by more than twelve percent compared to the previous year. Various subsidies and forms of social expenditure were to amount to some 2.84 bn dinar. Development (investment) expenditure was to reach a total of 5.2 bn dinar, only slightly more than the 5.17 bn in 2011. Debt service was to amount to slightly more than 4 bn dinar compared to some 3.6 bn in the year before.

The budget deficit was expected not to exceed 6 percent of GDP (La Presse, 29/12/2012, <http://www.lapresse.tn/29122011/42726/les-grandes-lignes-du-projet.html>; <http://www.lapresse.tn/29122011/42728/au-social-la-part-du-lion.html>; La Presse 31/12/2012, <http://www.lapresse.tn/31122011/42860/adoption-de-la-loi-de-finances-2012-on-a-battu-tous-les-records.html>).

The revised 2012 budget

In late March 2012, the Council of ministers adopted the revised 2012 budget with an increase in expenditure of 2.54 bn dinars, compared to the initial 2012 budget. The increase was supposed to be funded by additional revenue from higher tax receipts, supposed to accrue from higher expected growth; a rise in hydrocarbon revenues due to a higher oil price (at US \$110 per barrel); the confiscation of property illegally acquired under the old regime; and the exceptional taxation of revenues that in the case of wage and salary earners was supposed to amount to the remuneration of four working days (with exceptions for low incomes).

Revised total expenditure included an additional bonus for poor households and a higher amount - some 8.65 bn dinar - dedicated to wages that reflected salary increases as well as the creation of an additional 25,000 jobs in government. Subsidies for essential commodities, energy, and transport were now put at 3.2 bn dinar, while roughly 4.1 bn dinar were earmarked for debt service. Development expenditure was to increase by an additional 1.2 bn dinar and to reach 6.4 bn dinar, including new housing programs for the needy (La Presse, 1/4/2012, <http://www.lapresse.tn/01042012/47663/approbation-de-la-loi-de-finances-complementaire-et-du-budget-de-letat-2012.html>).

The 2013 budget

Expenditure under the 2013 Budget presented in late November 2012 amounted to a total of 26.8 bn dinar, which was an increase of 4.9 percent compared with the year before. The budget deficit was supposed to be limited to some 6-7 percent of GDP and to decrease to 2.5 percent by 2017 thanks to better targeting of subsidies, a tax reform, improved resource allocation, and higher economic growth. Current expenditure was set at 16,972 bn dinar, an increase of 14.8% compared to the 2012 budget, largely reflecting salary increases and 23,000 new government recruitments. Salaries alone were to amount to roughly 9.8 bn dinar. Various types of subsidies and social expenditure were supposed to amount to 4.2 bn dinar and expenditure for equipment about 1 bn; other budget lines, including unanticipated needs, amounted to about 2 bn.

Development (investment) expenditure was put at 5.5 bn dinar and debt service to more than 4.2 bn

(La Presse, 21/11/2012, <http://www.lapresse.tn/21112012/58465/m.-besbes-presente-le-budget-de-letat-2013.html>; La Presse 21/12/2012, <http://www.lapresse.tn/21122012/59954/le-budget-par-les-chiffres.html>).

The budget included various measures to raise additional revenue such as a one percent increase in income tax for high earners and various indirect taxes that hit higher more than lower incomes, except for an additional one percent tax on the income of restaurants, discos – and cafés (La Presse 1/11/2012, <http://www.lapresse.tn/01112012/57480/les-9-mesures-pour-augmenter-les-ressources.html>).

Revenue in the 2013 budget was to amount to 23.3 percent of GDP compared to 23.6 percent in the revised 2012 budget; expenditure was to amount to 30.4 percent of GDP compared to 31.5 percent in the revised 2012 budget. Tax revenue was to increase from 20.4 to 21.3 percent, and transfers and subsidies in spite of all saving efforts from 6.4 to 7.3 percent; on the other hand capital investment was to decrease from 8.8 to 6.7 percent, always of GDP. Actual increases from 2012 to 2013, however, proved to be higher as the government in 2012 failed to reach its own spending targets (IMF 2013).

The revised 2013 budget

In May 2013 the government announced a revised budget to take into account lower than expected growth (4 instead of 4.5 percent); a far lower than expected rise in tax receipts (+0.7 instead of +13 percent); as well as higher expenditure in the first months of the fiscal year (SER Tunis 23 mai 2013).

Consistent with the – admittedly imprecise - party platform produced by Al-Nahda prior to the elections the budgets relied on distributional policies to rapidly address grievances of those in need and the impoverished strata of the middle classes. The expansionary budgetary policies were supposed to be a temporary solution until calm would return to the country and economic growth would increase to pre-contestation levels or even reach the seven percent aimed at in various official documents and declarations. However, the budgets (and additional measures referred to below) left open important questions as to the appropriate ways and means to achieve future sustainable growth of adequate magnitude.

3.1.2 Taxation

In practice, the government in early 2013 introduced a new consumption tax on alcoholic beverages and stamp duties (IMF 2013). A broader tax reform was announced in spring 2013 but legislation was not to be finalized before the autumn of the same year.

3.1.3 Monetary and exchange rate policies

Managed by the Central Bank of Tunisia (CBT), monetary policy became slightly more restrictive when in August 2012 and March 2013 inflationary pressures led to an increase in the benchmark rate from 3.5 to 3.75 and then 4 percent which, however, still amounted to a negative interest rate of some 2.4 percent (La Presse, 30/8/2012, <http://www.lapresse.tn/30082012/54630/le-taux-dinteret-directeur-porte-a-375.html>; IMF 2013, SER Tunis avril 2013). Temporary restrictions on bank lending to consumers introduced in 2012 were soon rescinded in part (IMF 2013).

Also in 2012, the CBT modified its exchange rate policy by introducing a reference rate quoted in the interbank market to replace the previous fixed currency basket, thus prompting a slide in the value of the dinar (IMF 2013). In May 2013, the dinar, in spite of the CBT intervention, depreciated by two percent vis-à-vis the dollar and five percent vis-à-vis the euro (SER Tunis 23 mai 2013).

3.1.4 Changes to the public-private balance

Various government measures in one way or the other affected the role and capacities of various public and private actors. However, none of the measures directly aimed at changing the size of the public and private sector, for instance through the privatization of state owned companies.

The government repeatedly used public funds to prop up private companies and to shore up the private sector. Thus, by October 2012 more than 500 out of some eligible 780 SMEs had been granted financial compensation to cope with the consequences of social protests and other events related to the 2010 uprising (La Presse, 21/10/2012, <http://www.lapresse.tn/21102012/57125/plus-de-500-dossiers-dindemnisation-approuves.html>). In December 2012, the government decided to take responsibility of the total debt of some 60 million dinar accumulated by the company El Fouledh (La Presse, 26/12/2012, <http://www.lapresse.tn/26122012/60178/les-dettes-de-la-societe-el-fouledh-prises-en-charge-par-letat.html>). As a matter of course, these decisions also had a positive short term effect on private sector employment (see below).

Similarly, the authorities refinanced public as well as private banks. In late April 2013, the CBT granted loans worth 2.7 bn dinar to that purpose (IMF 2013); over time, however, it replaced the injection of liquidity into banks with the purchase of government bonds in the secondary market (IMF 2013).

At the same time, infrastructure largely continued to be funded by the government, which regularly announced new projects including roads and bridges, and improvements to existing roads (e.g., La Presse 15/2/2012). Many of these projects focused on the economic

development of the marginalized 'inner' regions of the country. Thus, in August 2012 the construction of two new industrial zones in Kasserine was announced, to start in early 2013 (La Presse, 6/8/2012, <http://www.lapresse.tn/06082012/53673/construction-de-deux-nouvelles-zones-industrielles.html>). Soon afterwards, the minister for planning, Jameleddine Gharbi, stated that about a third of the projects to improve infrastructure and public services were already underway and that numerous others had already been completed (La Presse, 10/8/2012, <http://www.lapresse.tn/10082012/53856/le-point-sur-les-projets-publics.html>). However, in the following debate deputies to the Constituent Assembly were rather critical of government performance in this matter (La Presse, 10/8/2012, <http://www.lapresse.tn/10082012/53824/developpement-des-regions-des-promesses-rien-que-des-promesses.html>). Later in the same month, the government promised new infrastructure, social and health projects as well as the creation of a new wholesale market in Sidi Bouzid (La Presse, 25/8/2012). In early September it announced additional road and industrial projects in and around Siliana (La Presse, 5/9/2012). Towards the end of the month, and in early October, the government presented a plan to facilitate administrative procedures; improve infrastructure and more particularly transport, social and health services; develop cultural activities; strengthen vocational training; and combat unemployment in the governorates of Tataouine, Siliana, Kasserine and Sidi Bouzid (La Presse, 30/9/2012, <http://www.lapresse.tn/30092012/56105/une-serie-de-mesures-au-profit-de-tataouine.html>; La Presse, 6/10/2012, <http://lapresse.tn/06102012/56421/une-nouvelle-strategie-de-developpement.html>). Similar projects for Kairouan were decided in November 2012 (La Presse, 10/11/2012, <http://www.lapresse.tn/10112012/57957/de-nouveaux-projets-au-profit-du-gouvernorat-de-kairouan.html>).

In order to overcome shortcomings of the private sector partly prompted by a credit crunch the government in November and December 2012 floated the idea of an investment fund for the development of the neglected regions that would be funded by the central government, local government, private investors, risk capital and even citizens (La Presse, 5/12/2012, <http://www.lapresse.tn/05122012/59187/un-fonds-regional-dinvestissement-pour-stimuler-la-creation-de-projets.html>).

3.1.5 Markets and regulation

No major changes to the regulatory framework were introduced. Government action remained circumscribed to issues such as the inspection of weights and measures or the control of the quality of foods and other commodities (La Presse, 22/2/2012; 23/3/2012; 23/4/2012). On other occasions it decided to fix prices, partly through negotiations with retailers (La Presse, 22/2/2012) or by importing commodities short of supply (like milk in November 2012 (La Presse, 24/11/2012, <http://www.lapresse.tn/24112012/58640/mesures-de-regulation.html>)). It also facilitated the establishment of supermarkets and shopping centers (La Presse, 6/12/2012, <http://www.lapresse.tn/06122012/59201/un-secteur-en-mutation.html>) and requested World Bank support to improve the administration of justice in economic and financial matters (La Presse, 7/7/2012). Other areas of government intervention were subsidies and the labor market, which will be discussed below.

3.1.6 Integration in the world economy and international economic relations

Nor were there major changes to trade tariffs or other regulations governing external trade. The government continued to seek foreign direct investment and foreign aid. FDI declined by some 10 percent from 2012 to 2013 (SER Tunis avril 2013) but rose by 27 percent from 2010 to 2012 (SER Tunis 14 février 2013). A wide variety of donors provided loans and grants of various importance and for different purposes (Qatar, Turkey, Libya, Germany, World Bank, EU, etc; for the IMF loan, see below).

3.1.7 Distributional policies

Subsidies

While maintaining subsidies at a high level, the government in early September 2012 raised the subsidized price of petroleum products and electricity by some seven percent, and by another seven percent in March 2013 (La Presse, 2/9/2012, <http://www.lapresse.tn/02092012/54736/augmentation-des-prix.html>; SER Tunis 14 mars 2013; IMF 2013).

Government and public sector employment

When presenting his program on 24 December 2011, PM Jabali announced the creation of 20-25,000 new government jobs (La Presse, 24/12/2011). Soon afterwards, the government explored and approved local schemes to create jobs, in particular for the young, as for example in the mining areas of Gafsa. More people were to be recruited by existing companies such as the Gafsa phosphate company, while new ‘development companies’ and ‘environmental programs’ were supposed to provide additional employment opportunities (La Presse, 3/1/2012).

In early August 2012, the minister of labor stated that since the beginning of the year more than 30,000 people had been recruited (47 percent more than in the same period in 2011), 27,000 on permanent positions and 8,000 through a special scheme for university graduates; another 28,000 unemployed had allegedly been recruited to what seemed to be non permanent positions. He also presented a new program to provide training and other forms of support to some 80,000 unemployed university graduates with a monthly allocation of up to 200 dinars. (La Presse, 4/8/2012, <http://www.lapresse.tn/04082012/53561/le-ministre-presente-les-chiffres-de-2012.html>). In late August the ministry of education decided to recruit 5,000 additional teachers and assistants (La Presse, 31/8/2012, <http://www.lapresse.tn/31082012/54665/117.000-enseignants-et-5.000-nouveaux-recrutements.html>).

Private sector employment

In March 2012 the minister of labor announced that over the year, 100,000 jobs would be created in the private sector, partly thanks to a new bonus for recruiting companies supposed to replace the existing ‘Amal’ scheme (La Presse, 31/3/2012, <http://www.lapresse.tn/31032012/47645/creation-de-100.000-emplois-en-2012.html>). By mid-September, allegedly 61,000 of these jobs had already been created, contributing to a decrease in unemployment from 18.9 to 17.6% (La Presse, 19/9/2012, <http://www.lapresse.tn/19092012/55547/61-mille-postes-deja-crees.html>). However, these figures were contested by the former governor of the CBT, Mustapha Nabli, who calculated that no more than 85,000 jobs had been created in 2012, half of them in the informal sector (SER Tunis mars 2013). Moreover, investment projects in manufacturing industries launched in 2012 reportedly mobilized slightly less capital than those launched in 2011 and were expected to create less jobs than those in 2011 (La Presse, 21/9/2012, <http://www.lapresse.tn/21092012/61447/augmentation-du-nombre-de-projets-declares.html>).

In December 2012 the Minister of Labor announced for January the publication of a new national strategy to combat unemployment for the years 2013-17. Comprising fiscal measures, easier access to credit, increasing and targeted government expenditure, and a focus on labor intensive industries the strategy was supposed to reduce unemployment by 1.5 percent per year to no more than 10 percent in 2017 (La Presse, 18/12/2012, <http://www.lapresse.tn/18122012/59759/maatar-presente-une-strategie-a-lancer-pour-le-14-janvier.html>).

Wages and salaries

On 15 February 2012, a joint committee was set up of government and trade union representatives to examine salaries and working conditions of wage and salary earners in the country (La Presse, 1/2/2012). In May of the same year, Ridha Saidi, the minister of the economy, confirmed that an agreement in principle had been reached with the UGTT (Union Générale Tunisienne du Travail), the trade union congress, to extend the payment of the 'special bonus (prime spécifique)' to all government agents, including those working in the areas of education and higher education (La Presse, 29/5/2012). The new bonus arrangements for academic staff ranging from some 60 up to almost 300 dinar p.a. came into force in early December 2012 (La Presse, 2/12/2012, <http://www.lapresse.tn/02122012/58999/tout-sur-les-augmentations-les-primas-et-les-statuts.html>).

In July 2012, the government, after consultation with the unions and employers organizations, decided to raise the minimum salary (Smig – salaire minimum industriel garanti, and Smag – salaire minimum agricole garanti) and to bring the latter in line with the former (La Presse, 11/7/2012). The new amounts were finalized in late August 2012 (La Presse, 1/9/2012, <http://www.lapresse.tn/01092012/54698/les-niveaux-du-smig-et-du-smag-arretes.html>). In early December an agreement was signed by the government, the employers and the UGTT that raised basic salaries in most of the public and private sector by 6 percent over one year (La Presse 2/12/2012), thus roughly compensating for inflation.

Support for farmers

In March 2012 farmers were granted partial debt relief for amounts owed for the use of irrigation water. Debt relief for small farmers was also part of the government program (La Presse, 24/3/2012).

Housing

In his initial program PM Jabali announced the renovation of some thirty neighborhoods in the bigger towns and their suburbs, as well as the construction of new council flats. In February 2012, an agreement was sought with the Abu Dhabi Development Fund concerning a low interest grant to build some 150,000 housing units for the needy (La Presse, 15/2/2012, <http://www.lapresse.tn/15022012/45215/un-programme-pour-la-construction-de-150.000-logements-sociaux.html>).

Extension of social benefits

In late December 2011, the Jabali government announced its intention to increase monthly benefits for poor families and to extend the existing scheme to 235,000 families - 50,000 more than before. Additional provisions for free medical care were added to the scheme that now covered some 9 percent of the total population (La Presse, 31/12/2012). Consequently, the amount of transfers under the scheme increased by 50 percent in 2012 (IMF 2013).

In order to alleviate poverty and support the disadvantaged the government also pinned hopes on microcredits, partly in cooperation with foreign agencies such the EU-affiliated 'MicroCred' (SER Tunis 25 Janvier 2013), and a degree of popular participation in decision making at the local level, as for instance in Le Kef, also partly with EU support (SER Tunis 14 février 2013).

3.1.8 Values and Norms Considered Islamic

In the period under review, no specific measures of any importance were introduced to redefine regulations in accordance with norms considered Islamic.

3.1.9 The IMF Loan

The conditions attached to the stand-by loan of US \$1.75 bn that the IMF granted Tunisia in June 2013 were to entail policy shifts that some earlier government declarations had already anticipated for the years following the immediate aftermath of the uprising. In the letter of

intent approved by the IMF the Tunisian government identified three main areas of reform: (i) the creation of ‘fiscal space’ through ‘modest fiscal loosening and better spending composition’ to meet medium term needs, in particular the recapitalization of Tunisian banks; (ii) the ‘rebalancing of fiscal policy to support growth’ by ‘containing’ or even reducing energy subsidies and the public wage bill; a ‘better targeted social safety net;’ ‘growth-supporting public investment;’ ‘prudent monetary policy’ to contain inflation; greater exchange rate flexibility; ‘tight fiscal policy;’ and structural reforms to increase competitiveness; and (iii), overlapping with (ii), ‘structural reforms to promote more inclusive growth’ including further private sector development and the reduction of regional disparities. The letter of intent also promised to increase social expenditure in general, including health and education, while retargeting existing cash transfer and free health provisions for the poor that had been expanded in 2012 (see above). Other aims were a more flexible labor market; new legislation governing competition and investment; a tax reform that reduces the regressivity of some taxes and homogenizes corporate taxes paid by on shore and off shore companies; improvements in corporate governance in the private and public sectors with particular attention to banking supervision; and an end to restrictions on consumer lending (IMF 2013).

3.2. Policies under President Mursi in Egypt

Elected authorities, which were President Mohamed Mursi and his government, only drafted the budget for the fiscal year 2013-14, beginning on July 1, 2013. The budget for the fiscal year 2012-13 beginning on July 1, 2012, a day after President Mursi assumed office, had been prepared and enacted by the Supreme Council of the Armed Forces (SCAF); the same applies to the 2011-12 budget ending on June 30, 2012, whose deficit, though, had to be dealt with by the new Mursi administration.

Like in Tunisia, policies in Egypt need to be examined in the light of endemic economic difficulties prior to the uprising that worsened in its aftermath (for an overview of the political economy of Egypt see for instance Diwan 2013; Farah 2009). And like in Tunisia, economic indicators under elected rulers reflected not only government action under heavy domestic and international constraints, but also the legacy of the *ancien régime*. In Egypt, the annual growth rate, which stood at some 4-5 percent in the early 2000s and increased to about 7 percent in 2006-8, dropped to 5.1 percent in 2010, 1.8 percent in 2011, and 2.2 percent in 2012; at the time it was expected to reach 1.6 and 4.5 percent in 2013 and 2014, respectively. GDP per capita, nonetheless, rose steadily from US \$1,367 in 2006 to 2,781 in 2011 (World Bank 2013; World Development Indicators). Inflation rose from 4.2 percent in 2006 to around 11 percent in the years 2007-2011, temporarily dropped to 7.3 percent in 2012, and seemed again on the rise to reach an expected 13.5 and 12 percent in 2013 and 2014 (World Development Indicators). The current account balance deteriorated to -2 percent of GDP in 2010, -6 percent in 2011, -3.1 percent in 2012; at the time it was projected to amount to -2.2 and -2.1 percent in 2013 and 2014 (World Bank 2013), in spite of considerable income from remittances and rent. Gross currency reserves decreased some US \$32 bn in 2007 and 35.2 bn in 2010 to 26.6 bn in 2011, 15.6 bn in 2012 and probably no more than 14.5 bn in 2013; the latter figure corresponds to less than three months of imports (World Bank 2013). The budget deficit that already stood at some 6 to 8 percent of GDP in the years 2006-2010 increased to 10 percent of GDP in 2011, 10.8 percent in 2012, and 12 percent in 2013; it was expected to improve to 10 percent in 2014 (World Bank 2013; World Development Indicators). Gross investment, which reached around 17- 19 percent of GDP in 2006-2010, dropped to 13 percent by 2012 (World Bank 2013). External public debt oscillated between 10-14.5 percent of GDP in the years 2010 to 2014, but total public debt (including domestic debt) reached 73.2 percent in 2010, 80.6 percent in 2012; at the time it was projected to reach 87.6 percent in 2013 (World Bank 2013; IMF).

According to official sources, unemployment increased from between 9 and 11 percent in the period 2006 – 2009 to 13 percent in 2012; in the latter year three quarters of the unemployed

were between 15 and 24 years old (World Bank 2013; World Development Indicators). According to conservative estimates, 19 percent of the population were poor in 2006, but 22 percent in 2009 and 25 percent in 2010 (World Bank 2013; World Development Indicators; Al-Masry al-Yawm 16/10/2012 quoting latest CAPMAS statistics). In early March 2013 a survey published by the of Information and Decision Support Center (IDSC) at the office of the prime minister showed that the incomes of some 57 percent of families had not covered their monthly needs in May 2012, compared to 45 percent a year earlier. The survey showed that the average monthly expenditure of a family in May 2012 amounted to about LE1,200-5, an increase of 6.5 percent compared to the same period of the previous year (Al-Masry al-yawm 4/3/2013). The GINI coefficient nonetheless seemed to remain constant at 31 (World Development Indicators), but it may well not have reflected the actual degree of inequality (Diwan 2013). The HDI rose steadily from 0.63 in 2006 to 0.66 in 2012 (UNDP).

In the period under consideration, President Mursi twice reshuffled the council of ministers, which nonetheless continued to be presided over by Prime Minister Hisham Qandil; Mursi, Qandil, and the cabinet were dismissed by the armed forces in early July 2013. In January 2012, Mursi replaced Finance Minister Mumtaz al-Sa'id with Al-Mursi al-Higazi, an expert in Islamic finance; also in January Hisham Ramiz followed Faruq al-'Uqda as governor of the Central Bank of Egypt (CBE) (Al-Ahram Online 11/1/2013 and 25/5/2013). In another reshuffle in May 2013, Fayad Abdel Min'im, also an expert in Islamic finance, was appointed minister of finance. Amr Darrag, chair of the FJP's foreign affairs committee, was appointed minister of planning and international cooperation, and Yahya Hamid, a spokesman for the FJP, was appointed minister of investment (Al-Ahram Online 7/5/2013).

The president and members of his government on various occasions elaborated on the aims and objectives of their economic and social policies. On these occasions, they attempted to rhetorically sweeten future austerity measures that soon appeared unavoidable with promises of new distributional measures that recalled their party platform.

In October 2012, for instance, the then finance minister Mumtaz al-Sa'id stated that to balance the budget, the government would introduce progressive taxation on revenues and cut energy subsidies. Nonetheless, he said the government planned to create some 500,000 jobs at a monthly minimum salary of LE800. He also added that the salaries of ministers had been increased to LE30,000 per month but that President Mursi had refused a salary rise (Al-Masry al-yawm 3/10/2012; Al-Musawwar 3/1//2012). On 23 April 2013, when presenting the broad outlines of the 2013-14 budget, his successor, Al-Mursi al-Higazi, more ominously announced a gradual reform program of 'rationalizing' energy subsidies, fighting tax evasion, levying a real estate tax, collecting fees for high-speed internet services, revisiting ministerial budgets, 'restructuring' wages and health insurance, and expanding private public partnerships to finance investment projects (Al Masry al-yawm 23/4/2013).

However, in a speech on the eve of labor day 2013, President Mursi again promised to create thousands of new jobs over the following years. Speaking at the state-owned Iron and Steel Company in Helwan near Cairo, he paid tribute to former president Gamal Abd al-Nasser, who had persecuted the MB, as one of the founders of the country's 'patriotic strategic industries' and promised that there would be no additional privatizations and redundancies (Al-Ahram Online 30/4/2013). After their appointment in May 2013, the new finance minister, Fayad Abd al-Min'im, and planning minister Amr Darrag re-emphasized the need for economic reforms required by the IMF. The finance minister also announced that a maximum salary of 35 times the minimum wage would apply to government and public sector employees (Al Ahram Online 8/5/2013).

3.2.1 Budgets

The 2011-12 budget

In early October 2012, Finance Minister Mumtaz al-Sa'id put the budget deficit for the financial year ending on June 30, 2012 at LE170 bn (against a total budget of LE533 bn), well above the LE134 billion that had been anticipated when the budget had been introduced (Al-Masry al-yawm 3/10/2012; Al-Musawwar 3/1//2012). Although the fiscal year 2011-12 ended on the day on which President Mursi took office, its legacy thus affected his administration.

The 2012-13 budget

Still prepared and enacted under the Supreme Council of the Armed Forces (SCAF), the 2012-13 budget anticipated revenues amounting to LE 393.4 bn, a rise of 12.5 percent on the previous fiscal year. Tax receipts were to represent 70 percent of the revenues, a rise in 15 percent on the previous year. Expenditure was to reach LE 533.7 bn, an increase of some 8 percent on the previous year; 27.3 percent of expenditure was earmarked for subsidies and social transfers, 25.6 percent for salaries and wages, and 25 percent for interest payments. The budget deficit was to reach some 8 percent of GDP (DGT August 2012).

On May 30, 2013, the ministry of finance put the budget deficit at 10.6 percent of GDP in the first ten months of the fiscal year 2012-13. The deficit had reached LE184.8 bn, compared to LE117.8 bn in the same period in the previous fiscal year. The ministry expected the current deficit to reach 11.5 percent of GDP by the end of the fiscal year (Al-Ahram Online 30/5/2013, but see also above). Especially expenditure for salaries, wages and subsidies increased way beyond initial assumptions (World Bank 2013). Increasingly the deficit was funded through short term borrowing on the domestic market that also threatened to crowd out lending to the private sector (World Bank 2013).

The 2013-14 budget

On April 23, 2013, the government announced a LE820.1 bn budget for the fiscal year 2013/2014, with a projected deficit of nearly LE200 bn, amounting to some 9.5 percent of GDP (Al-Masry al-yawm 23/4/2013). Contradictory information circulated about the details of the budget. Budget lines for the armed forces were to increase by LE3.4 bn to reach some LE31 bn, according to an anonymous military source; they were nonetheless supposed not to exceed some 3 - 4 percent of the total budget (Al Ahram Online 29/5/2013). In the new budget rationed food distributed to the poor and less privileged was to cost LE 30.8 bn, some 16 percent more than in the previous fiscal year. This increase, however, would be offset by cuts in fuel subsidies and an increase in the price of other goods (Al Ahram Online 21/5/2013). At the time more than 68 million Egyptians received monthly food rations which included cooking oil, sugar, and rice. Various civil society organizations claimed that in violation of the Constitution the budget had not been fully disclosed to the public (Al Masry al-yawm 23/4/2013).

3.2.2 Taxation

In late November and early December 2012 President Mursi issued a number of decrees under his 12 August Constitutional Declaration that were supposed to initiate a program of economic reform in line with IMF requirements. On December 6, he amended by decree legislation governing the general sales tax. The tax was increased for 25 products, including tobacco, alcoholic drinks, soft drinks, telephone communications, steel, and cement. Also in early December, he issued a number of other decrees, which increased the price of electricity; reduced subsidies for hydrocarbons and some foodstuffs; raised corporate tax to 25 percent; and included additional higher income brackets into the highest income tax tranche, while lowering income tax for additional lower and middle income brackets. Stamp duties were also increased (LEE No 23 décembre 2012). At the same time, the administration announced

additional reforms to be implemented between March and July 2013, including an increase in the sales tax for various, increases in the real estate tax, and new legislation to levy a tax of 10 percent on profits from the sale of shares in initial public offerings in the stock exchange. In April, 'smart cards' would be introduced to limit the purchase of subsidized diesel and gasoline by individual buyers.

However, within a few days the rises in the sales tax were quashed by President Mursi himself (Al-Masry al-Yawm 9/12/2012; al-Jarida al-rasmiyya 6/12/2012; World Bank 2013; LEE No 23 décembre 2012). While temporarily ensuring social peace, the decision delayed *sine die* the approval of a loan of some US \$4.8 bn from the IMF (see below), which was part of a larger US \$15 bn international support package. Aware of the IMF position, the Egyptian government on December 11 asked the Fund to postpone its decision on the loan (World Bank 2013; LEE No 23 décembre 2012).

On February 25, 2013, President Mursi announced a new economic reform program, allegedly again to pave the way for successful negotiations with the IMF. Under the program that reiterated measures announced in November and December 2012, lower income brackets were supposed to be exempted from income tax; the lowest income tax tranche would apply to additional lower income brackets; social security pensions would rise and be paid to a larger number of beneficiaries; a progressive property tax would be introduced; and gains from initial public offerings in the stock market would be taxed at 10 percent (Ahram Online 25 and 26/2/2013).

After investor protests, in early April 2013 the authorities cancelled the newly introduced tax on investment gains in the stock market and promised to return revenue already levied. The tax had, for instance, affected the takeover of National Société Général Bank by the Qatar National Bank at a time when Qatar continued to extended considerable support to Egypt and its government (Al-Masry al-yawm 8/4/2013 quoting Reuters; al-Ahram Online 8/4/2013 and 25/5/2013). The latter soon also reversed its decision to move forward with a planned tax on cash dividends that had been first proposed in 2011 (al-Ahram Online 8/4/2013).

In May 2013 legislation was passed confirming changes in the income tax regime decreed in December 2012 (Al Ahram Online 21/5/2013; LEE No 28 mai 2013). Later in the same month the Shura Council passed legislation cancelling the tax deductions hitherto granted to 80 percent of loan loss provisions held by Egyptian banks. The governor of the Central Bank, Hisham Ramiz, expressed his dismay at the new provision that was passed without debate and demanded that it be 'reviewed' (Al Ahram Online 28/5/2013).

3.2.3 Monetary and exchange rate policies

Throughout the period under review, the Central Bank sold considerable amounts of foreign currency reserves. In late 2012 and early 2013 it introduced foreign exchange auctions that over the following months led to a depreciation of some ten percent of the Egyptian pound against the dollar and to the emergence of a currency black market. The Central Bank also imposed limits on daily foreign exchange withdrawals from Egyptian banks that were slightly eased later (Al-Masry al-yawm 4/1/2013; World Bank 2013; LEE No 26 mars 2013). In March 2013 it raised lending rates for the first time since 2011, including the discount rate that reached 10.25 percent (World Bank 2013; DGT April 2013).

3.2.4 Changes to the public – private balance

Privatization

In early April 2013, the cabinet was reported to consider a FJP proposal to partially privatize some public companies in order to raise cash (Al-Masry al-yawm 2/4/2013). However, between the fall of Mubarak and late May 2013, Egyptian courts issued at least 11 rulings ordering the government to reverse the sale of companies privatized under the old regime, including the

Tanta Flax and Oils Company. In May 2013 dozens of cases were still pending, including various appeals; only one of the rulings, related to the re-nationalization of Omar Effendi, a department store chain, had been implemented (Al Ahram Online 30/5/2013 quoting Reuters). In actual fact, the government seemed to privilege new public private partnerships over attempts to privatize additional state owned companies.

Infrastructure

Thus, in October 2012 the government formed an inter-ministerial committee to examine improvements in infrastructure along the Suez Canal, to attract additional domestic and foreign investment. The 'Suez Canal Corridor' project was supposed to rely heavily on private public partnerships (PPPs) (LEE No 21 octobre 2012) that were also encouraged by a conference dedicated to these schemes in March (LEE No 26 mars 2013). A further example was the upgrading of the Egyptian railways (LEE No 22 novembre 2012; LEE No 26 mars 2013).

However, other attempts to mend or improve infrastructures relied mainly or exclusively on public funds and international cooperation. In the period concerned Egypt repeatedly suffered from large scale power failures. Power cuts, for instance, affected several parts of Cairo in October 2012 (Al-Masry al-yawm 28/10/2012) and a number of governorates in April 2013 (Al-Masry al-yawm 3/4/2013). In May 2013 the Ministry Of Electricity issued a formal apology for a new spate of country wide power cuts (Al-Ahram Online 23/5/2013). In early June 2013, increasingly frequent blackouts led to several demonstrations in Gharbiya and Aswan. The Electricity Ministry blamed the frequent blackouts on fuel shortages and an overloaded electricity grid. According to official figures, electricity consumption in the summer of 2013 was to increase to 29,500 megawatts per day, against a production capacity of some 27,000 megawatt. The government signed an agreement with Saudi Arabia to link the electricity grids of the two countries, a project that would cost some US\$1.6 bn and generate an additional 3,000 megawatt per day. The government also increased the amount of natural gas supplied to power stations from 77 million to 84 million cubic meters per day (Al Ahram Online 4/6/2013; LEE No 19 juillet/août 2012).

3.2.5 Regulation and other forms of state intervention

The Mursi administration did not fundamentally revamp modes of regulation; it showed for instance little interest in strengthening legislation governing the rules of competition. There were nonetheless various attempts to regulate specific industries or sectors. In July 2012 the government recapitalized two of the major public sector banks. The capital of Bank Misr was increased by 125 percent to LE11.3 bn, and that of National Bank of Egypt by LE2.42 bn to LE 9.7 bn (LEE No 19 juillet/août 2012). Allegedly to save energy, the government in autumn 2012 attempted to impose early closing hours on retail businesses. An ensuing dispute with shop and restaurant owners ended in November when the Federation of Egyptian Chambers of Commerce and the government agreed to enforce the new closing hours as of December 1, with stores supposed to close at midnight and restaurants at 2 a.m. (al-Masry al-yawm 5/11/2012). The agreement was, however, nothing but a face-saving device for the government. Other examples were government action announced by PM Qandil to raise the production of wheat, corn, and petroleum by up to 25 percent in partnership with banks and investors (al-Masry al-yawm 16/12/2012), and the renewal by President Mursi of provisions establishing a free zone in and around Port Said that were about to expire (Al-Masry al-yawm 28/2/2013, LEE No 26 mars 2013; for the labor market and subsidies see below).

3.2.6 Integration in the world economy and international economic relations

International trade relations

Governed by the relevant international covenants and treaties, trade with the outside world was only partly affected by deliberate attempts to boost exchanges with old and new political allies. Beyond this, the government in early November 2012 asked for a new reduction in the required

percentage of Israeli-made parts in products governed by the Qualifying Industrial Zones (QIZ) agreement from 10.5 to 8 percent (hundreds of Egyptian companies sell products to the United States under the QIZ agreement with exports reaching around US \$800 m annually). Egypt, Israel and the United States had signed the QIZ agreement in 2004; initially Egyptian exports to the US were to include 11.7 percent of Israeli components, a share that was reduced to 10.5 in 2007 (al-Masry al-yawm 2/11/2012).

Another development worth noting was a decision issued on 17/12/2012 by the ministry of petroleum that apparently for the first time regulated gas imports, thus implicitly recognizing that henceforth Egypt not only exported but also imported gas; import prices were expected to amount to US \$14 per million thermal units from Qatar (compared to continued Egyptian exports to Jordan for instance at US \$5.5 m thermal units, and domestic sales prices to Egyptian companies of US \$4 per m thermal units) (Al-Masry al-yawm 19/12/2012).

Trade tariffs

Trade tariffs remained consistent with the international agreements to which Egypt was a party. Changes were limited in scope and concerned specific commodities only. In December 2012, for instance, a 6.8 percent tariff increase was imposed on imported iron, leading to the first in a series of rises in the price of locally produced steel (Al-Masry al-yawm 1/4/2013). Similarly, President Mursi in late March 2013 announced a rise with immediate effect in import duties on a variety of products that did not seem to directly affect prices by ordinary consumers; at the same time, however, tariffs on other commodities were reduced and yet others were exempted from duties altogether (Al-Masry al-yawm 25/3/2013).

Foreign aid

The government continued to look for external economic aid which was granted in different forms by a variety of countries and organizations. Loans and grants worth several billion US \$ came forth from Saudi Arabia, Qatar, Turkey, and the EU (e.g., LEE No 22 novembre 2012). The government also sought to attract additional foreign direct investment, including funds for public private partnerships (e.g. LEE No 22 novembre 2012; see also above). Investments in the Sinai, however, continued to be restricted to Egyptian investors or joint stock companies with a majority of Egyptian shareholders (LEE No 22 novembre 2012).

Throughout the period, negotiations for a loan from the IMF worth some US \$4.8 bn continued without an agreement on the reforms to be implemented by Egypt (e.g., Al-Masry al-yawm 11/12/2012). A staff level agreement was signed on November 20, 2012, but the definite agreement on the stand-by loan failed to materialize after President Mursi suspended economic reforms decreed in early December 2012 (see above). In March 2013, the Egyptian government refused a bridging loan of US \$750m from the IMF (LEE No 26 mars 2013).

3.2.7 Distributional policies

Subsidies

Under the Mursi administration subsidies continued to be cut, but they also continued to account for a considerable part of budget expenditure and GDP (see above). As of July 1, 2012, the price of gas increased by 30 percent for non energy intensive and by 33 percent for energy intensive industries; however, the increase may have been decided before President Mursi took office (LEE No 19 juillet/août2012). A few months later, in early November 2012, the government postponed to June the use of ‘smart cards’ to distribute canisters of cooking gas to the needy, allegedly to ensure that the new arrangements would work properly (Al Masry al-yawm and Al-Ahram 11/11/2012). In the context of the economic reforms implemented in late November and early December 2012 (see above), the price of electricity was increased, except for consumers using less than 50 kilowatt/second (about one quarter of consumers in the country) (Al-Ahram Online 3/12/2012). At the same time, subsidies for hydrocarbons,

including natural gas, cooking gas (outside the rations for the needy), fuel, and 95 octane, and some foodstuffs were reduced (LEE No 23 décembre 2012). The new price of 95 octane, roughly double the previous one, came in force on November 25, 2012 (LEE No 22 novembre 2012). In a second step of the reform program, another set of 'smart cards' was to be introduced in April to ensure that individual buyers would not be able to purchase more than a limited amount of subsidized diesel and gasoline (Al-Masry al-yawm 9/12/2012; al-Jarida al-rasmiyya 6/12/2012; World Bank 2013; LEE No 23 décembre 2012).

From January 2013 the distribution of subsidized food began to be reorganized by the minister for internal trade and supply, Bassam 'Awda. 'Awda, a MB member who had been appointed in January, streamlined procedures to make distribution more efficient and sought to enhance the quality of subsidized products (Al Ahram Online 21/5/2013). Activists on Facebook shared pictures of bread distribution cards with the logo of the FJP and 'Awda's name, suggesting that the party used the ministry for its own political interests (Al Ahram Online 21/5/2013).

On February 20, 2013, the government announced an increase in fuel prices for various industries, with some exceptions such as bakeries and electricity producers, apparently from LE1,000 to LE 1,500 per ton; it also raised the price of locally produced gas for industrial use (al-Masry al-yawm 20/2/2013; World Bank 2013). The price of diesel and LPG was not increased, even though the two products accounted for the bulk of fuel subsidies (World Bank 2013).

Wages and salaries

Since the uprising in January 2011 successive governments promised to impose minimum and maximum wages. In June 2011, the (unelected) transition government under prime minister Ahmad Shafiq granted public servants a monthly minimum wage of LE700 which ultimately came into effect in July 2012; however, it was only paid to employees on permanent contracts. A similar minimum wage for the private sector was agreed by the National Wages Council but it was never binding (Al Ahram Online 27/7/2012 and 8/5/2013). Under President Mursi, the minimum wage for public sector employees remained in force; soon after taking office he also decreed a 15 percent rise in allowances paid to public sector and government workers (the allowances in many cases amount to a substantial part of total monthly revenues; World Bank 2013).

Union rights and industrial action

In early June 2013 the International Labor Organization (ILO) issued a statement denouncing violations of the rights of workers in Egypt. The ILO had received several complaints, apparently submitted by the country's independent trade unions, criticizing restrictions on union freedoms. Moreover, the new law on trade union rights that had been approved at cabinet level after the January 25 uprising had still not been ratified (Al Ahram Online 7/6/2013). A report by the International Development Centre, an Egyptian NGO, claimed that Egypt witnessed a sharp increase in labor and other social protests, with 1,354 protests recorded in March alone compared to 864 protests in the previous month (Al Ahram Online 7/6/2013).

3.2.8 Values and norms considered Islamic

On December 19, 2012, the Cabinet approved a draft law on *sukuk* (sovereign Islamic bonds), some two weeks after the Financial Supervisory Authority had announced similar plans for private bonds (al-Masry al-yawm 19/12/2012). However, on 2/1/2013 the Shura Council rejected the draft law, thus following advice given by the Islamic Research Academy at Al-Azhar (al-Masry al-yawm 2/1/2013). Revised legislation was passed by the Shura Council in late April 2013 (LEE No 28 mai 2013).

In the early months of 2013, government agencies announced three separate plans to reduce alcohol consumption; they sought to ban the sale of alcoholic beverages in duty-free shops,

including at airports; stop to issue licenses for the sale of such beverages in new Cairo suburban settlements; and introduce a heavy 'luxury' tax on them (Al-Masry al-yawm 7/4/2013).

3.2.9 Non-governmental activities in support of government policies

On various occasions actors close to the government launched economic and social activities in support of its policies. Thus the newly created Egyptian Business Development Association, led by Muslim Brotherhood businessman Hassan Malik, held a Ramadan *iftar* for its members on July 28, 2012. Malik seized the occasion to announce the first conference of the newly formed Egypt-Asia Forum, to be held in November, and a new initiative to support SMEs, with initial funds of LE100 million provided by Egyptian businessmen. The Association also planned to establish a vocational training center (Al-Masry al-yawm 30/7/2012). Later, in early March 2013, the FJP announced an outreach campaign, probably related to the parliamentary elections then still scheduled to begin on April 22. Focusing on 'basic needs,' the campaign was to provide some of the poor with free or cheap bread and cooking gas, as well as jobs (Al-Masry al-yawm 4/3/2013). In the same period, the Nur Party that increasingly hesitated between support for, and opposition to, the FJP announced its own initiative to 'save the economy' that largely focused on local projects of direct relevance to citizens (Al-Masry al-yawm 4/3/2013).

4. Policies and Grievances

In their declarations, and partly in their policies, the FJP as well as President Mursi and his government explicitly addressed some of the grievances generally considered to have prompted the large scale protests in January 2011 that led to the demise of the *ancien régime*. While contradicting the party platform, deficit spending at least in the short term provided an answer to some of the socio-economic grievances thought to have contributed to the fall of Mubarak. It no doubt helped to increase salaries and pensions, contain cuts in subsidies, and thus to meet popular expectations as well as attain other explicit objectives of the party platform (that, however, sat uneasily with its overall objective of balancing the state budget). Maintaining or even increasing public sector employment, in particular for the young, further strengthened the social credentials of the Mursi administration. Progressive taxation, taxes on certain capital gains, and public investment in infrastructures also dovetailed with both the platform and popular expectations. The complete halt of privatization could be reconciled with the platform and clearly met wide spread demands. On the other hand, increases in the sales tax accompanied by subsidy cuts that were (or had to be) implemented despite deficit spending clearly fuelled popular grievances even though they were in harmony with broader policy statements. Needless to say that the conditions attached to the IMF loan would have further strengthened discontent considered to have prompted the 2010 uprising.

To an extent, additional spending could have been offset by additional revenue, for instance from progressive taxation. However, the new suggested minimum salary of LE1,200 per month - three times the actual (not legally binding) minimum in the public sector prior to the uprising - would have quickly exceeded the possibilities of the state budget, in particular if additional public sector jobs had been created (Saif/Abu Rumman 2012). If at all applied to the private sector, the new minimum salary could have discouraged the creation of new jobs (and possibly jeopardized existing ones), in particular if temporary employment contracts had been transformed into permanent ones. If only applied to the public sector, wage differentials with the private sector would have continued to widen, reduced the attractiveness of private sector employment, and deepened imbalances that plagued the Egyptian economy in the past (cf also Assaad 2009). At any rate, in practice, salary increases, employment creation, subsidies and other social transfers became fiscally unsustainable by spring 2013 at the latest.

Other provisions of the platform as well could have had negative effects in the longer term and contributed to renewed popular discontent. Measures inspired by economic nationalism, such as import substitution, may have their uses in some areas and periods but hardly across the

board. Tax breaks for labor intensive industries may create employment opportunities in the short term, but in the long term they may favor low value added activities with related effects on wages, savings, capital accumulation, etc. Clearly, a more detailed and comprehensive strategy would have been needed.

Moreover, the FJP failed to trace a viable boundary between the private and the public sector, and to establish criteria for the appropriate regulation and management of both sectors. No doubt the suggested reforms of anti-trust and consumer protection legislation should ultimately have contributed to transform markets into level playing fields for present players and new entrants, at least to the extent that they were Egyptians. However, no action was taken in this regard. The platform also remained silent on the governance of the public sector, which therefore could continue to abide by its established rules and procedures. Put differently, the impact of non-economic logics and priorities could have decreased in areas where the private sector operates but they could have continued to bedevil areas dominated by the public sector. In addition, the contours of the latter remained ill defined, not least because the concept of strategic industries was rather broad, even though it may primarily have been used to prevent further privatizations. Consequently, short term gains in terms of distribution and output legitimacy could easily have entailed medium and long term losses.

In Tunisia as well, expansionary budget policies and deficit spending to increase salaries, bonuses, and pensions; create new public sector jobs, in particular for young graduates and other youths; improve public health care and housing for the needy; continue the decrease of energy and food subsidies; broaden the circle of social benefit recipients; and provide debt relief for farmers, alleviated socio-economic grievances in the short term. Increasing public investment in infrastructures, in particular in the disadvantaged 'inner regions,' attempts to improve access to credit through low interest rates and the recapitalization of banks; and financial support for SMEs also stroke a chord with some of the protesters. However, like in Egypt, these policies raised the question of medium term sustainability, even though economic conditions in general were more favorable. They were mostly compatible with or even part of the party platform, with the major exception of large scale deficit spending.

The intention to integrate the country yet further into the global economy clearly contrasted with the FJP's partly more protectionist attitudes; yet, it provided no better guarantee to create employment, combat poverty, reverse downward social mobility, increase equality and avoid corruption and cronyism. Similar policies under Bin Ali had not, or insufficiently, helped to reach these objectives; possibly they even had negative effects. They may have failed because they were implemented by authoritarian, unaccountable rulers. They may also have failed for more general and generic reasons. Free trade agreements, for instance, may create or destroy employment according to the degree to which the industries concerned are competitive at the moment of market opening (e.g., Weiss/Wurzel 1998, even though Ben Romdhane 2011 is more optimistic with regard to the Tunisian case). The host of government policies intended to support the private sector could have enabled it to rise to the challenge at least partly. However, the export of high value added products does not ipso facto entail large scale employment creation, a significant decrease in poverty, and an increase in equality in terms of income and wealth. Also, the wish to develop high value added services in such areas as information and nano technology or banking, partly shared by Al-Nur in Egypt, remained a pious wish as long as there was no detailed plan of how to combine tax measures, educational reforms, vocational training, etc. to foster the emergence and consolidation of these very industries. Actual outcomes depend on additional factors and measures that the platform failed to discuss. At the same time, the development, employment and welfare strategies embraced by Al-Nahda required considerable public involvement and resources that like in the Egyptian case were not easily be available. Nor did Al-Nahda always detail the boundaries that it intended to draw

between the public and the private sector, or the rules supposed to govern activities in both sectors.

The FJP and Al-Nur on the one hand and Al-Nahda on the other sought salvation in two different development paths. However, as implemented in the past, both import substitution and external economic liberalization failed. Possibly new variations on these themes could be more successful, and possibly there is no obvious and easy way ahead today for economically less developed countries. In any case, they would have to be designed far more carefully than the two parties had attempted.

Conditions attached to the IMF loan to Tunisia such as the creation of ‘fiscal space’ for the recapitalization of banks, ‘better spending composition’ and more precisely targeted social expenditure together with ‘growth supporting public investment’ and ‘structural reforms’ no doubt intended to lay the foundations for ‘more inclusive growth.’ It remains to be seen whether policies that only meet these conditions will have the intended effects.

In spite of various but ultimately rare references to religion, the policies advocated and implemented by the first elected rulers of Tunisia and Egypt (except for elections under the Egyptian monarchy) were not radically new or different from policies implemented by their predecessors (for earlier policies e.g., Assaad 2009; Galal 2008; Guazzone/ Pioppi 2009; Heydemann 2008; Jabbour 2011; Kheir al-Din 2008; Kohstall 2010; World Bank 2004; Yousef 2010a and b). Like most forms of economic and welfare organization legitimated in terms of Islam those advocated by the FJP, An-Nahda and the Nur Party amounted to mixed economies with a social safety net; variations by and large concern the boundaries and role of the private and the public sector as well as the modes and degrees of state intervention and regulation. Possibly, the policy choices and objectives adopted by these parties were the latest manifestations of a long established preference for mixed economies (and ‘social market economies’ in the broader sense) in both countries, in Arab states more generally, and even in the ‘third world’ at large. With regard to the role of the public and private sector, regulation, and markets policies advocated by the FJP recall policies advocated by the party of the *ancien régime*, the National Democratic Party (NDP), prior to the rise of Gamal Mubarak, and indeed more recently by many in the party who did not share his views (Farah 2009; Kienle 2001). With regard to external liberalization they recall official policies prior to the implementation of macroeconomic stabilization and structural adjustment programs that began in the late 1980s. The further integration of Tunisia in the world economy advocated by Al-Nahda ‘upgraded’ policies implemented by Bin Ali, even though the Tunisian economy was not as ‘open’ to the rest of the world as it has often been claimed (Ben Romdhane 2011). No doubt, these programs included measures inspired by neoliberal thought and practice (as defined by Brown 2003) but they remained part of more heterogeneous arrangements that are still far from being dominated by current commonplaces extracted from Hayek or Friedman. As a matter of course, references to neoliberalism might have – and may - become more prominent in the course of time. More substantial changes in economic and welfare policies may ensue once those who speak are (again) in a position to act. Economic and welfare regimes may then be revamped more substantially as has been the case elsewhere (e.g., Esping-Andersen 1990; Kaplan 2013; Kaplan 2013; Mares 2003; Pierson 1994; Robalino et al 2009; Rudra 2002). Under the first governments elected after the Arab Spring, though, no revolution in economic and social policy took place in either Tunisia or Egypt, if revolution means a major change or paradigmatic shift that through a revolving movement turns matters from their head onto their feet or vice versa.

5. Conclusion

The political forces that won the 2011 elections in Tunisia and in Egypt largely subscribed to different forms of mixed economies. Though emphasizing the need to combine the advantages

of the public and the private sector they nonetheless failed to precisely define the respective role and relevance of the two sectors, their reciprocal relationship, and the role of regulation. By implication, policies covered erred between those associated with classical forms of ‘social market economies’ (such as in the German tradition of the 1940s and 50, different from the rather vague concept that contemporary Arab debates have attached to the same notion) and those implemented under the old regimes, which sought to prorogue the badly battered ‘old social contract.’ By implication, the mixed economies in many ways continued to resemble the ‘split economies’ that had emerged over the past decades: an uneasy juxtaposition of liberal and étatist features rather than a carefully crafted compromise that one would traditionally associate with a ‘third way.’

Rather than explicit attempts to address socio-economic grievances that had led to the recent uprisings, the platforms and policies marked by considerable ambiguity seemed to reflect international constraints, the dominant position of neoclassical and neoliberal economics in institutions of higher education, not least in the countries concerned, and the imperatives of electoral politics. Insufficiently explicit as to the mechanisms by which they were supposed to entail high and sustainable growth and fair distribution, the development visions and actual policies defended and pursued by the governments elected in 2011 could easily have reproduced the conditions that had created discontent and contestation. The only answer to popular discontent and grievances were expansionary budget policies that could not last beyond a limited period of time. Under conditions of austerity, the governing parties could have disintegrated along economic and social cleavages among their members; these cleavages could also have destroyed unity built around religious and moral norms. Following military intervention in Egypt and a new ballot in Tunisia the Islamists elected in 2011, at least for the time being do not face these challenges. However, those who have succeeded them do; in many ways they advocate similar policies that increasingly ignore the causes of earlier discontent or simply hide behind rhetorical ambiguity to cater superficially diverse constituencies and interests whose support they fear to lose.

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