

# Class Grievances - the Arab Uprisings and Beyond

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## Class Grievances - the Arab Uprisings and Beyond

By Jennifer C Olmsted and Bassam Yousif

Abstract: To date analysis of the role of entrepreneurs in the Arab uprisings has been limited. We use micro level data highlighting entrepreneur grievances as one proxy for the role that class might have played in the Arab uprisings. We find evidence that dissatisfaction with levels of corruption were particularly high in among entrepreneurs in Egypt, Syria and Yemen on the eve of the Arab uprisings, but we also find that Arab entrepreneurs throughout the region share concerns when it comes to macroeconomic stability, infrastructural short-comings and worker training, all of which are key to successful development. We also explore more recent data that indicate that entrepreneurs in a number of countries (some of which had regime changes, while others did not) remain concerned about corruption and various bureaucratic obstacles. Given the complexity of the grievances that triggered the Arab Uprisings, the data suggest ‘no smoking gun,’ and considerable potential for tensions surrounding post-uprising policy priorities, which in turn has contributed to the on-going policy impasse and instability in the region.

## Introduction

Analysts have offered two sets of rationales to account for the series of uprisings that began in December 2010 in the Middle East and North Africa (MENA),<sup>1</sup> events that have come to be known as the ‘Arab Spring’: particular economic conditions and the micro-interactions between various actors such as opposition groups, army and security services (Achcar, 2020; Bennani-Chraïbi, 2017). Very early on in the revolts, poverty, unemployment and stagnant incomes were identified as root causes of these upheavals. (Kawach, 2011) According to Campante and Chor (2012), the specific combination of impressive gains in education and low economic opportunities made the Arab world, especially susceptible to revolt. Acemoglu and Robinson (2012) locate the reason for the Arab spring squarely in persistent poverty and impeded economic development. The impression therefore is that of an Arab world that on the eve of the revolts suffered high degrees of poverty and inequality and was more generally, highly economically distressed. Indeed, given the widespread and extensive woes that have been presented after the fact to explain the uprisings, it is difficult to see *A Posteriori* how the revolts were avoidable.

Another strand of analysis, including work by Cammett and Diwan (2013:pp) more accurately argues that a combination of political and economic factors provided the ‘socioeconomic foundations’ for the uprisings, but that direct economic triggers are not in evidence, concluding that “[o]n the face of it, economic factors hold little explanatory value since a number of the countries that experienced unrest were performing quite well in relative

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<sup>1</sup> One challenge worthy of further discussion is whether the appropriate comparison group when it comes to analysis of countries that experienced political unrest in 2010 is the Arab World or the Middle East and North Africa. Our empirical analysis includes non-Arab MENA countries, because we argue that there are parallels to events in Iran in particular..

terms. Or as Al-Shammari and Willoughby (2019:197) put it, “[w]e do not fully understand the links between political instability and variables measuring economic distress and uncertainty (unemployment, poverty, the rate of inflation, the rate of real economic growth); variables which assess political factors such as the nature of the regime; and variables which measure longer-term structural factors (such as the extent of economic openness, population growth and educational attainment).” \_A partial response to this comes from Del Panta (2020) who argues that the successful toppling of governments in broadly similar economic and social conditions in one country but not another is due to the coming together of disparate social forces that is to some extent is a function of human agency and interaction. This also explains the lack of consensus about policies and objectives in the post Arab spring period.

The role of food prices is one area where significant analysis has been carried out with Al-Shammari and Willoughby (2019:204) finding statistical evidence that food prices “are strongly associated with increased political instability.” But while empirical evidence does suggest that food prices are important to consider, the policy conclusions reached by various analysts have differed considerably. Ciezaldo (2011) for example suggests that food subsidies are to blame for political instability, a particularly puzzling conclusion given that while these may put financial pressure on governments, such policies can play a role in reducing the impact of food price volatility.

Another focus is on the intersection between youth dissatisfaction and unemployment. Al-Shammari and Willoughby (2019) find that while overall unemployment rates (which were declining in 2010) were not important, youth unemployment rates are statistically linked to higher rates of political instability. Magdi Amin et. al. (2013) and Ward Sayre (2013) also focus on intergenerational tensions, with an emphasis on perceived unfairness and exclusion, not

immediate unemployment trends per se. Amin et al (2013) note that opinion polls showed that Arab youths (15-24 years old) were more positive about economic circumstances than other age groups in the Arab World and indeed that Arabs in general were happier than people in other regions. However, they argue that a combination of current and future expectations collapsed in much of the Arab World from 2007 to 2010. These expectations declined in Algeria, Bahrain, Egypt, Tunisia, Libya, Morocco, Saudi Arabia and Syria: the decline in Morocco, where rebellion did not occur, was roughly the same as that experienced in Egypt and Tunisia. The expectations actually rose in Jordan (which did not experience rebellion, but where there was nevertheless substantial unrest). Finally expectations remained unchanged in Yemen, which experienced conflict (Amin et al., 2013, 51-3.) These patterns therefore map rather imperfectly onto subsequent political outcomes.

A few authors have put an emphasis on class dynamics. Kevan Harris (2011) argues for example that grievances “stemmed from a widening ‘fear of falling’ among new middle and working classes, whose positional status vis-à-vis both their own elites as well as other developing countries were perceived as in rapid decline.” Diwan (2013 puts) also argues for a class based analysis, with a particular emphasis on the need to analyze changing expectations of the middle class as well. His empirical analysis focuses on Egypt and in his conclusion (p. 26) he suggests that the middle class “evolved as a champion of change, driven by both grievances (lack of opportunities for its educated youth, and an anger for increased inequalities which it shared with the poor), and aspirations (rising education leading to increased demand for democracy, which it shared with the richer parts of society).”

Similarly, Karen Pfeifer (2013) locates the roots of uprisings in Egypt and Tunisia in the contradictions of the neoliberal project, with rising economic growth, foreign investment,

privatization and liberalization benefitting mainly well-connected capitalists but ultimately unable to generate sufficient employment among the middle and working classes. At the same time, organized labor was repressed and the gap between the rich and the rest increased. Our analysis adds to these discussions, but puts more emphasis on entrepreneurs as a group.

ElGindi (2017) argues that perceptions are important, and makes use of the World Values Survey to conclude that “feelings of frustration and deteriorating living conditions were building up for huge segments of” Egyptian and Tunisian society. While the World Values Survey offers one way of measuring grievances/perceptions, other authors have approached this question differently. Costello, Jenkins and Aly (2015) for example opt to use frequency of protests, which captures one type of grievance, but a number of other variables may also be useful in terms of determining who had grievances on the eve of 2010. The relevant methodological approach is also not entirely clear, given the complexity of factors that likely contributed to political change in some countries but not others. Kuhn (2012:676) argues that “[w]hile cross-country regressions are useful for assessing broad temporal relationships between modernization and political change, they are not well suited to linking specific dimensions of human development to political resistance.” He therefore advocates for “a mix of methodologies that link ethnography, quantitative modeling, and institutional analysis.” We suggest that additional insights can be gained by combining an analysis that links macro data and policy responses with micro data gathered from Arab entrepreneurs on the eve of the Arab uprisings, not only in order to better understand how and whether the perceptions of this group may have played a role in the political changes that occurred.

Regarding the importance of examining entrepreneurs, Asseburga and Wimmen (2016) argue that not enough focus has been put on business elites in trying to understand the Arab uprisings. These group generally favor stability over political upheaval, but may be important catalysts of change, if sufficiently upset with the status quo. Furthermore, while entrepreneurs may favor some forms of political change, they may not necessarily agree with other groups re what post-political change priorities should be, a point we will return to at the end of our paper.

Work by scholars who examined the Iranian revolution provides insights into how an examination of class dynamics in general and entrepreneurs' grievances in particular can add nuance to existing analyses. Parsa (1989) for example challenges the dominant view of *bazaaris* as being mainly politically conservative and shows how, at different times and depending on their perceived interests, *bazaaris* have backed both progressive and traditional currents in Iranian society. *Bazaaris* for example supported the progressive Mossadegh government against the clergy and the Shah in the early 1950s. In the 1970s, they backed the clergy against the Shah in the context of the latter's economic policies, notably price controls, which affected them disproportionately. Parsa also carefully notes that given the diversity of people who worked in the bazaar, different groups of *bazaaris* likely had conflicting interests, a point we will return to later.

A more recent analysis by Kurzman (2004) focuses on the potential and actual roles that four social groups played in the Iranian revolution. These included: rural residents, poor urban migrants, *baazaris* (traditional merchants) and students. He argues that the two groups with the most economic grievances, people in rural areas and poor urban migrants, were not at the forefront of political change. Rural residents, he suggests, basically didn't take part in the revolution. Poor urban migrants became active only later when the revolution was set to

succeed; initially they considered the disruption of revolution to be a direct threat to their work and hence livelihood. According to Kurzman, groups who were in fact not faring badly economically were some of the most active in supporting the revolution. These included students, the group with the best prospects vis-à-vis government employment, and the *bazaaris*, who according to Kurzman (2004:101) “controlled two-thirds of domestic wholesale trade and one-third of imports” in the 1970s.

Kurzman suggests that while *bazaaris* did have some economic grievances (lack of access to credit, discontent with the Shah’s urbanization policies, and anger over having had price controls imposed on them and being accused of being ‘profiteers’ by the government), they were doing relatively well economically and so direct economic grievances did not provide the best explanation for why they joined the revolution.

Building on the previous work of Kurzman and Parsa in the context of Iran, as well as the growing body of literature focusing on the Arab uprisings, we contribute to the existing political economy literature on the Arab uprising by adding two additional dimensions, both of which confirm that simplistic economic analyses do not provide much insight into the factors that triggered political unrest in the region. We reexamine food data in conjunction with information about food policies, and we also analyze entrepreneur attitudes and concerns on the eve of 2010 to further nuance existing understandings of recent political changes in the region. Bringing in the views of entrepreneurs in particular, we argue, not only provides a lens through which to understand potential points where entrepreneur priorities are likely to dovetail with the priorities of others, but also, consistent with Del Panta (2020), helps underscore why the political transitions that have emerged have been particularly fraught.

**Intellectual Narratives --: Authoritarian Stability and Demographic Imbalance:**



Until very recently, the dominant view of MENA polities and societies was that they were highly resistant (or possibly immune) to democratization and liberalization and essentially stable. (Gause, 2011 and Bayat 2013) In fact, studies confirmed that, given the levels of education and income, one would expect the region to score higher in terms of democracy (Elbdawi & Makdisi, 2011). A large and highly influential body of literature, namely the rentier state theory, has been used to explain this ‘democratic deficit.’ This paradigm locates the causes of political authoritarianism in the economic structure of MENA countries, notably the importance of rents generated from the sale of oil. Particularly in the Gulf states, oil has historically been both the major source of income and foreign exchange. Freed from the need to finance expenditures through taxation, the theory of rentierism argues that governments are released from accountability and may even operate independently from society. Moreover, oil revenues enhance the states’ ability to co-opt or repress opponents, while the lack of taxation hinders the development of economic or class solidarities. (Anderson 1987; Beblawi & Luciani, 1987). The result is a centralized and authoritarian political arrangement.

Some limitations to this paradigm have been raised, including by those who are broadly supportive of the framework. Richards and Waterbury for example have noted how rentierism often has been temporary, as oil rents produce new domestic actors (such as contractors, industrialists or consumers) who may in time work to limit the autonomy of the rentier state. (Richards & Waterbury 17, 1998). That is, as the state distributes oil revenues, it creates social entitlements, and at the same time has less to spend on other priorities. This, on the one hand, effectively checks the extent of political autonomy that the state can buy through its spending. On the other hand, the act of spending establishes entitlements that are not always easy to withdraw later, hence the reluctance of Arab governments, regardless of their avowed economic

ideology, to reduce spending on food subsidies a point we elaborate on below. Moreover, recent scholarship has shown the influence of oil on politics is nuanced and not determinative: political customs and institutions along with historical accident are just as important if not more so in determining political outcomes. (Yom, 2011; Herb, 2014) Many analysts though continue to assume that the repercussions of oil are automatic and negative. More generally, whether oil dependent or not, the region has often been framed within the context of rentierism, with the analysis extended beyond oil to include other forms of economic rents that allow governments to enhance expenditures, notably foreign aid, of which MENA is a disproportionate recipient. According to World Bank data, per capita Official Development Assistance (ODA) to MENA was highest in the world and double the amount received by (the much poorer region of) Sub Saharan Africa, (Todaro & Smith, 2009: 731), which contributes to rentierism. It should though be noted that there is substantial variation within the Middle East in terms of aid largesse, with Israel, Egypt and Jordan being at one end of the spectrum, while Yemen, Sudan and Syria were well below global averages in terms of per capita aid inflows, before 2010. Despite differences in the form that rentierism allegedly took, political analysts to some degree oversimplified the degree of diversity in the region, by relying on this one narrow theoretical framework in order to explain the political economy of the region.

While in the period leading up to Arab spring the consensus seemed to be of unprecedented stability, once political unrest became wide-spread, a number of analysts quickly seized on the idea of economic grievances to explain the revolts. Poverty, high rates of unemployment, and declining purchasing power were stressed as explanatory factors in the post Arab spring era. In particular, the narrative surrounding the ‘youth bulge’ in MENA has been linked to the issue of grievance. Because fertility rates stayed high through the 1980s, while

mortality rates declined rapidly in the region, a pyramid shaped age profile emerged, with very large population cohorts making up the lower end of the age profile in the Arab region. Fertility rates eventually did decline quite sharply in the 1990s, but in the meantime the Arab region was faced with the need to absorb ever growing cohorts of youth seeking employment. Although some of the demography literature discusses this youth bulge in terms of a potential economic gift, for a variety of reasons, labor demand has not been able to absorb the rising supply in a number of countries. Youth unemployment rates in the region, as a result, have been high since at least the year 2000, with youth often making up between 50 to 80% of those who are unemployed (World Bank 2004). That these jobless youths are generally educated makes the group potentially destabilizing, according to some analyses. (Campante & Chor 2012). Other analysts have argued that declining purchasing power and in particular rising food prices must have played a role what played out in the region. But careful empirical analysis has begun to challenge the conclusion that there was a clear relationship between macroeconomic conditions and political instability. We argue that the relationship between economic and political factors is more complex, with a particular focus on deciphering how class contributed to political changes.

### **The Arab Spring in Empirical Context:**

A comparative approach to identifying the role that economics played in the recent and on-going political instability in the Arab region is no simple task. An examination of basic macroeconomic indicators, for example suggests that factors such as per capita income, poverty rates and other socio-economic factors were not good predictors of unrest. On the one hand Yemen, one of the poorest countries in the region, exploded into violence, but on the other hand, so did Bahrain, which has a per capita income that is more than ten times higher. At the same

time, various countries with similar per capita income levels, such as Jordan and Egypt, and Bahrain and Oman, had very different experiences.

Factors such as literacy and urbanization rates, which might be seen as factors that could contribute to the ability of particular communities to mobilize, also do not have strong explanatory power. Protests broke out in countries where literacy and urbanization rates were relatively high, such as Bahrain and Libya, and where one might therefore assume that organizing and mobilizing communities would have been easier. But at the same time, Egypt and Yemen, two countries with relatively low literacy and urbanization rates also were affected, while other countries such as Morocco, with similar data, were not.

Entrepreneurs' grievances:

Existing analyses have focused some attention on the role entrepreneurs might have played in either supporting or preventing political change. Cammett and Diwan (2013) for example emphasize how widespread perceptions of crony capitalism contributed to popular unrest. But surely not all entrepreneurs favor, or are favored by, the government. Analysis by Chekir and Diwan (2013) for example suggests that about half of all firms in Egypt (admittedly a rather high number) are connected to the government, but if that is the case then there are still plenty of entrepreneurs who fall outside the group who have a vested interest in maintaining particular governments.

Previous analyses of the Arab uprisings though have not asked the question of whether entrepreneurs' grievances played a role in the Arab uprisings. Fortunately, the World Bank carried out a series of surveys of entrepreneurs in the period leading up to 2010, providing an

excellent opportunity for analysts to examine what the major grievances of entrepreneurs were in a range of MENA countries in this period. Data were collected in Algeria (2007, 600 firms), Egypt (2008, 1530 firms), Jordan (in 2006, 503 firms), Lebanon (2009, 382 firms), Morocco (2007, 659 firms), Syria (2009, 508 firms), West Bank/Gaza Strip (2006, 401 firms) and Yemen (2010, 477 firms). More recent data are available for Egypt (2020), Jordan (2019), Lebanon (2019), Morocco (2019), West Bank/Gaza Strip and Yemen (2013). These data provide considerable insight into the types of grievances firms in each country had on the eve of the Arab uprisings as well as in the aftermath of the political upheaval that happened.

Respondents were asked to identify what they considered to be the top constraints facing them as entrepreneurs. They were also asked to comment on whether various types of constraints were “not a problem,” “a minor problem,” “a moderate problem,” “a major problem” or “a severe problem.” For this analysis the categories major and severe were combined, to get a sense of which problems were the most serious and widespread.

These country level surveys are not entirely comparable for a variety of reasons. For one thing the same questions were not always asked. In addition, it should be noted that comparing across countries may be inaccurate when examining the link between actual conditions and perceptions of entrepreneurs. For example, Lebanese entrepreneurs were more likely to complain about problems such as high taxes (Graph 1a), etc., despite or perhaps because Lebanon has historically had a more *laissez faire* economy. This suggests that levels of tolerance for various types of government practices and economic conditions vary across countries. Still, these types of surveys are quite useful at gauging what the *perceptions* of entrepreneurs are, and it is precisely the issue of perception that can create various types of grievances.

A couple of points are worth noting in examining the data. The first is that although some analysts suggest that crony capitalism pits the government and capitalist elites against the rest of the population, it is clear that entrepreneurs themselves, to the degree to which they represent capitalist elites, also had grievances. In particular, the most revealing finding is that in Egypt, Syria and Yemen concerns about corruption (Graph 2a) were particularly high, with over 60% of firms complaining that this was a major or severe issue in all three countries. Interestingly, if Chekir and Diwan's suggestion that half of all Egyptian firms had connections to the government is correct, this suggests that even those who were benefitting from their connections to the government felt that corruption was a problem. It should also be noted that among Syrian and Yemeni firms, corruption was identified as either the top or second ranked concern among entrepreneurs. By contrast, in Morocco and Saudi Arabia very few firms identified corruption as a serious problem.<sup>2</sup> It should also be noted that in Jordan and Lebanon corruption was viewed as a concern, and yet wide-spread violence did not break out in either country, suggesting that although the issue of corruption may have been a contributing factor, the link between political instability and perceived corruption does not entirely explain why in some countries popular rebellion forced a change in government.

We also examined the degree to which small and large firms have differing views, with the assumption being that larger firms are more likely to have been beneficiaries of crony capitalism. While in Syria we see some mild evidence that small firms are more likely to identify corruption as a problem (71%), a remarkable number of large firms (62%) also identify

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<sup>2</sup> Although beyond the scope of this paper another interesting question involves analyzing the degree to which high rates of crony capitalism are correlated with low rates of reported concerns about corruption, which may be the case given the low rates of concern in Saudi Arabia and Morocco, where rates of crony capitalism are reportedly quite high.

corruption as a problem. In Yemen, medium size firms are the most likely to feel corruption is a problem, but again the differences across size groups are not very big. The only context in fact where small firms are far more likely to express a concern about corruption is in Morocco, which provides some support to the argument that crony capitalism is a particularly extreme problem in that country, but it is noteworthy as well that Morocco has been one of the most stable countries in the region.

As summarized also in Table 3, equally noteworthy is the fact that no other constraint stands out as particularly telling in terms of countries that experienced considerable unrest versus those that did not. When it comes to complaints about high tax rates (Graph 1a) for example, entrepreneurs in Jordan, Lebanon and Morocco were more likely to complain than entrepreneurs in Egypt, Syria and Yemen. The same is true for business licensing (Graph 3b). In this category Saudis were particularly disgruntled, followed by Jordanians, and Palestinians. And while it is true that Syrian businesses complained about licensing issues, this was not the case for Egyptians or Yemenis. In the case of labor regulations (Graph 5b), Egyptians and Syrians' levels of complaint were on the high side, but far lower than in the case of Saudi Arabia, and also less of an issue than corruption. In this case Yemeni and Lebanese entrepreneurs topped the list, with rates of complaints among Egyptians being far lower. (This question was not asked in Syria and thus no comparison is possible.)

The survey also asked questions about customs and trade restrictions (Graph 3a) and anti-competitive practices, as well as macroeconomic stability and policy uncertainty (Graph 4a & b) more generally. Here again the results suggest no smoking gun. While custom and trade regulations were an issue in Syria, they are also a concern among Lebanese and Palestinian

businesses, but not so much among Egyptians and Yemenis. Anti-competitive practices were seen as a major issue for Egyptian and Syrian entrepreneurs, but less so for Yemenis. Differences across different size firms are also not in evidence, except in the context of custom and trade restrictions, which likely is related to the fact that large firms are more likely to be involved in cross-border trade activities. Another interesting finding concerns the fact that although various Arab governments (eg Syria, Egypt, Jordan) were previously perceived as being highly politically stable, in terms of policy and macro-economic stability these countries also got relatively low marks from entrepreneurs. Particularly in Egypt, entrepreneurs were dissatisfied with the stability of the macroeconomic situation and with policy predictability. In Syria and Yemen these were less of an issue, but still of concern to at least 40% of firms. But again, it is also the case that macroeconomic instability was a complaint among Palestinians and Lebanese, and policy instability an issue for Palestinians and Jordanians.<sup>3</sup>

Another topic the enterprise surveys asked about was labor regulations (Graph 5b). In the case of Egypt and Syria there is evidence that owners of firms found this to be a particular problem. Also noteworthy is the degree to which firms felt that the labor force was inadequately trained. Again entrepreneurs in Egypt and Syria stand out as identifying this as a particular problem. These factors alone are unlikely to have triggered revolts, but suggest a considerable degree of discontent about economic conditions among entrepreneurs.

Examining data from the World Bank surveys therefore provides additional insights into the question of which elements of society were disgruntled and eager to push for political

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<sup>3</sup> Another interesting finding is that entrepreneurs in neither Syria nor Yemen saw crime as a major issue (Graph 2b), suggesting one area where these governments clearly were delivering, despite being disliked for other reasons.



changes. We find evidence that entrepreneurs in Egypt, Syria and Yemen were particularly disgruntled, when it came to the problem of corruption. More importantly, and consistent with Del Panta's (2020) analysis, the fact that such diverse groups as entrepreneurs, the poor and unemployed youth each had (differing) grievances, and hence disparate perception of the needed reforms, provide an indication of why the political process that followed the overthrow of various governments was undoubtedly going to be fraught. Our analysis suggests that many different and economic distinct grievances may have played a role, but that neither analysis of macroeconomic trends, nor micro level data on attitudes, as exemplified by the entrepreneur data provide a clear 'smoking gun' when it comes to the role of economic factors likely played in shaping the various political outcomes following the events of 2011.

In fact, when it comes to food prices, while agreeing with arguments made by others, who suggest that affordable food, and particularly bread, in the Arab world, is seen as part of the social contract that the government is expected to provide its citizens, what previous authors fail to explain is why rising food prices led to a revolt in some contexts, but not in others, and particularly that even in instances where governments attempted to mitigate the shock of rising food prices the results in terms of subsequent unrest were diverse.

More generally, and while acknowledging the potential limitations of data, inequality was not apparently particularly acute in the countries where political disturbances were widespread, nor were youth unemployment rates higher in those countries that saw widespread violence. Thus while various groups (youth, entrepreneurs, workers, the middle class, the poor) could point to a long list of grievances, many of them with economic roots, our conclusion is that economic factors, while they may have been a necessary condition for political unrest, were by

no means a sufficient one, when it comes to explaining regime change. Economic conditions, in other words, need to be examined in reference to their particular political and social contexts and not in isolation.

Noteworthy also is that we do find some evidence that entrepreneurs in Yemen, Syria and Egypt were particularly concerned about corruption, which suggests that arguments about the explanatory power of ‘crony capitalism’ need to be further unpacked. In fact we find that large, medium and small entrepreneurs throughout the region have a number of concerns related to governance, economic policies, etc. Even more importantly, while political stability has long been touted as a trademark condition of the region, entrepreneurs did not view macroeconomic policy as being particularly stable in recent years, at least not in Egypt, Jordan, Lebanon and Syria. This finding suggests the need to ponder what analysts mean when they use the term ‘stability.’ While rentierism took political stability as a given, less thought was put to the question of whether economic stability was also associated with various Arab governments. The responses given by Arab entrepreneurs across a range of countries at least suggest that beneath the veneer of political stability, a considerable degree of economic instability, both in terms of the policy arena and macroeconomic conditions, was at least perceived to be the norm.<sup>4 5</sup>

Unfortunately in the most recent round of surveys, the questions about macroeconomic stability and policy uncertainty were no longer being asked. Given the widespread concern with these issues among entrepreneurs across the region, removing these questions seems like a

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<sup>4</sup> Another underexplored pattern is the degree to which Arab countries that had previously been considered the most stable politically in the postcolonial period were destabilized following 2010. With the exception of Yemen, countries with long histories of conflict experienced little to no political disruption during and after 2010. Kuhn (2012) briefly mentions this point.

<sup>5</sup> Also worth pondering is the degree to which governments are even able to buffer their economy from economic shocks at all, in the face of increased globalization.

shortsighted decision on the part of the World Bank. Of the questions that remain in common with the earlier surveys, a number of trends are noteworthy. First off when it comes to corruption, interestingly in Egypt corruption seems to be far less of a concern in recent years. By contrast, in Lebanon concerns about corruption have increased considerably. While less sharp, the rise in concern about corruption in Morocco is also noteworthy. More generally entrepreneurs seem to be more dissatisfied across a range of indicators in Morocco, and notably this is the only country where concerns about labor regulations remain widespread among entrepreneurs. Yemen and Morocco are two countries where concerns about an inadequately trained workforce remains a serious problem in the more recent period. More generally, the fact that Yemen remains in a serious crisis is evident from the answers given by entrepreneurs in that context. (Note to our readers – we are in the process of further updating this analysis and will be adding discussion of additional entrepreneurs’ concerns, as well as some regression results to provide additional insights.

The more general points we wish to make in carrying out this analysis are two-fold. Firstly to argue not that economic conditions are irrelevant to understanding the revolts in the Middle East, but instead that the influence of economic variables on the revolts is complex and highly contingent, and requires further ‘drilling down,’ and that a priori may not be discernable. In this regard the Arab spring is not so different from the Iranian revolution thirty years earlier. As Kurzman (2004:104) argues: “If we were observing Iran in early 1978, economic data would probably not have led us predict that a revolution would soon occur.” Once the revolution started, the nascent protest movement brought forward economic demands, which led “economic causes to be identified retroactively.” In fact, it may well be that social revolutions are in their nature fundamentally unpredictable, which is why along with the Arab uprisings, few

analysts predicted the Iranian revolution or those of Eastern Europe (Kurzman 2012). Of course, none of this implies that issues of poverty, inequality or economic growth are irrelevant. On the contrary, ameliorating them is desirable and worthwhile regardless of its implications for political stability. In fact, as economists, we both are very concerned about assuring that economic conditions in the region improve and that problems of inequality and poverty are overcome.

Whatever role economic grievances played in the events that unfolded in the Arab region between 2011 and the present, we argue that generalizing is difficult and dangerous, and that particular dynamics shaped each country outcome. Our analysis also provides an implicit critique of both crony capitalism and rentierism, which we feel have become overused concepts that have lost their meaning. Clearly lumping together oil exporting, aid receiving and migrant sending countries, not to mention monarchies, and other forms of governments under one category is not very useful in terms of examining the unique ways that economic and political conditions are likely to interact to create particular political conditions on the ground. Similarly, lumping together all capitalists is another oversimplification, since entrepreneurs' priorities may differ for a number of reasons. As an example, firms that rely on imports are likely to have very different views of trade policy than those who earn much of their income from exporting. More generally, while plenty of entrepreneurs, both small and large, had considerable grievances, on the eve of 2010, the degree to which these grievances were common to all entrepreneurs is important to explore further, as is the question of whether these may have dovetailed with grievances of other actors in specific country contexts.

One important point that jumps out is that simplistic assertions that macroeconomic conditions caused political change did not pan out. But of considerable interest is the fact that as

macroeconomic conditions worsened, certain regimes did try to buffer their populations, through for example the reintroduction of food subsidies. Such steps may have played a role in reducing tensions in some contexts (eg Jordan), but certainly not in all (eg Syria). This suggests that some kind of tipping point or threshold effect was reached in some contexts but not others.

When it comes to the role that entrepreneurs played, our analysis also suggests the need to reject simplistic assumptions about cronyism. We find ample evidence for example that entrepreneurs of various sizes were frustrated by corruption, the ineffective educational system and the lack of macroeconomic stability in the region. Although as with other economic indicators we find no ‘smoking gun,’ our analysis does suggest that capitalists were among those who were disgruntled on the eve of the Arab uprisings.

### **The Way Forward:**

Focusing on the political aftermath of the Arab uprisings, Bayat (2013:593) argues that “[w]hat has been unfolding in the aftermath of the ‘Arab spring’ is not ‘Islamist resurgence per se, but rather a new religious polity with a post-Islamist proclivity.” Of equal importance in thinking about how the status quo has been altered as a result of the events of 2011 and beyond is the need for a better understanding of how economic policies are likely to be retailored as a result of various political changes. A few analysts have addressed this question, providing suggestions for how economic policies should be constructed in the aftermath of the Arab uprisings. Malik and Awadallah (2011) for example strongly emphasize the need for more trade openness in the aftermath of the Arab uprisings. These authors though seem to be approaching the question of policy formation more from the point of view of neoclassical economic theory/ideology, rather than in the context of political economic realities.

In reality, not surprisingly, various ideological divisions have emerged in the aftermath of the Arab uprisings. Egypt and more recently Tunisia provide sobering cases in that regard. More generally, Cammett, Diwan and Vartanova (2020) highlight the fact that increased economic hardship is generally associated with declining support for democracy.

The political moments that made up the Arab spring brought together very diverse types of communities in solidarity with each other for a brief period of time. What these groups had in common was their deep abhorrence of the existing government, and a considerable amount of frustration about political, economic and social conditions. Since such a broad spectrum of society was mobilized to go to the streets, many of the individuals who participated in the uprisings had economic concerns that were in direct conflict with each other. Bayat's (2013) reference to 'free-riders' is also worthy of further exploration in this regard. Whereas street protests were led by certain factions, post-insurrection politics require reaching some kind of consensus and entrepreneurs clearly are demanding a role in that process.

An analysis of entrepreneur grievances provides very particular insights into how various grievances may have conflicted, as well as some insights into what the post-regime change priorities of this group are likely to be. Eliminating corruption, the need for macroeconomic stability in particular, and policy stability more generally jump out as top priorities. Entrepreneurs are also, not surprisingly, likely to be eager to reform tax codes and business licensing procedures. Labor groups, on the other hand, are likely to be much more concerned about overall employment, wages and better work conditions, and on some of these issues they will of course be in direct opposition with most entrepreneurs. In fact, the entrepreneur surveys confirm this, with entrepreneurs often complaining about labor legislation. Again the enterprise

data shed light on this issue. Whereas Syrian and Egyptian entrepreneurs in particular felt that there was too much labor regulation, workers are likely to have a very different view of this issue.

As suggested by Sayre's (2013) work, even workers may not have common priorities, with young workers likely having very different economic concerns than older ones, particularly given shifting labor markets and reduced employment security in the region. Similarly, those who own/work in a business that relies on imports are likely to be in favor of freer trade policies, while those involved in a company competing with imports will lobby for protection. So analysts who advocate for (eg. Malik and Awadallah 2011) or assume that the government coming into power is going to embrace free markets are shortsighted, not to mention rather undemocratic in their approach. Indeed, Djavad Salehi-Isfahani (2012) argued that, while the Arab uprisings provided an opening to shape a new 'social contract' between governments and peoples in MENA, it was naïve to expect widespread popular support in favor for pro-market policies to coalesce among MENA general publics, (even though he himself advocates for some market-oriented policies going forward.) (Saleh-Isfahani, 2012) Some data presented by Sayre (2013) also support this conclusion. Youth interviewed in Syria for example were quite adamant about their preference for government jobs, over private sector employment. Similarly, in Iraq, the US occupying authority expressed disappointment as Iraqis clamored for increased public sector jobs after the US invasion in 2003, in opposition to the neo-liberal restructuring that the US attempted, which presented the private sector as Iraq's economic savior. (Yousif, 2007). Not only did this free-market economic slant fail to generate employment, it contributed to rising instability and sectarianism in Iraq in the post 2003 era. (Yousif, 2010)

So what policies are likely to have broad appeal? Or as Kuhn (2012:676) poses in his article, can insights from entrepreneur surveys help “in the development of new programs concerned with human development, social inclusion, and political change.” Although by no means a simple process, given concerns among entrepreneurs in Egypt, Syria and Yemen about worker skill levels, good governance would involve pushing for changes in the educational system, that will satisfy both workers and employers. It should also be noted that entrepreneurs are quite concerned about other basic infrastructural issues in their countries. Electricity supply for example was an issue for almost 60% of Syrian and Yemeni firms and in fact ranked as the most serious concern among Yemeni firms, suggesting that future governments should prioritize investing in infrastructure. Tragically in the case of both Syria and Yemen, this has become an even more pressing concern since the escalation of fighting. Firms are also likely to push for more transparency and certainty when it comes to macroeconomic policies in general. These are issues around which entrepreneurs and others are likely to be broadly united. At the same time, there is less likely to be agreement around the level of government intervention when it comes social safety nets, trade relations etc., as Khalil and Dill (2018) show in respect to Egypt. More generally, grievances, where they are evident, vary considerably across cohorts and social groups, with the result that, in the same country, the corresponding policy prescriptions to emerge following political change will not surprisingly be dissonant and contested.



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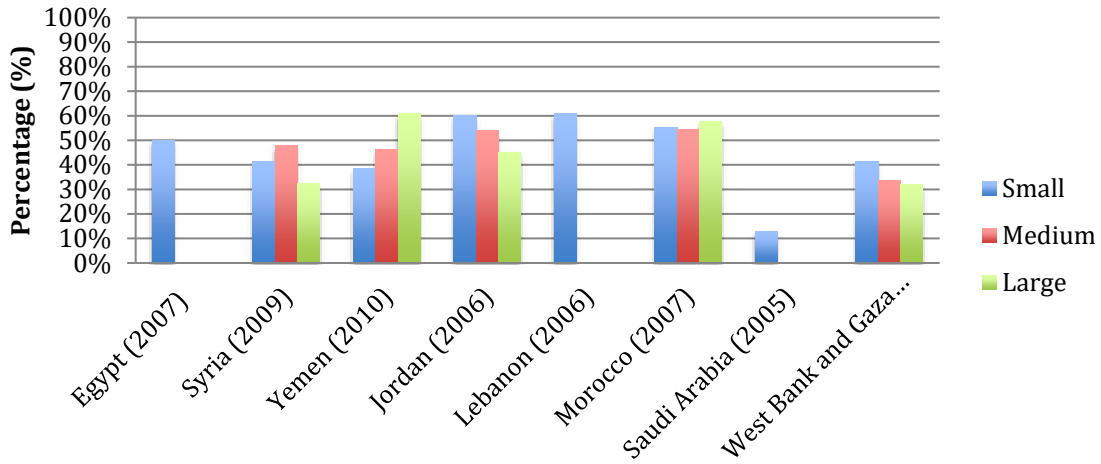
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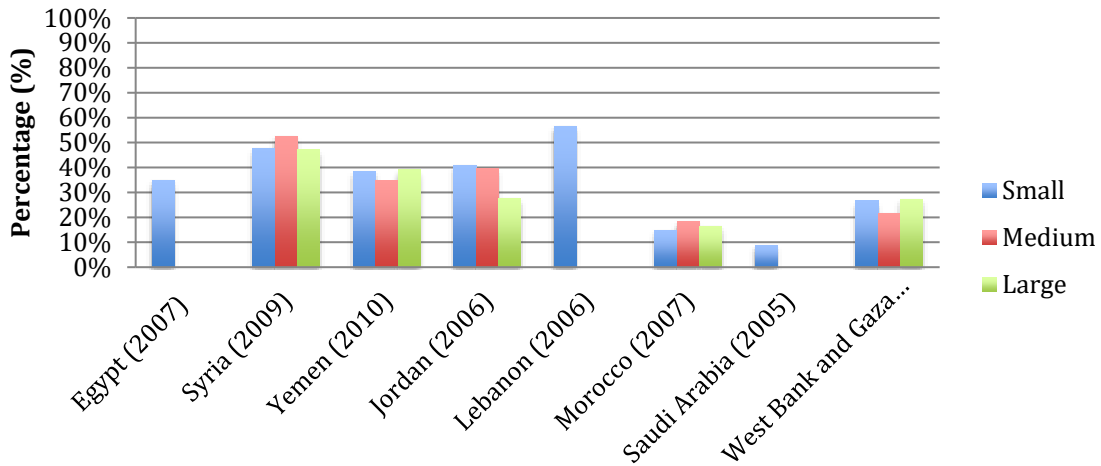
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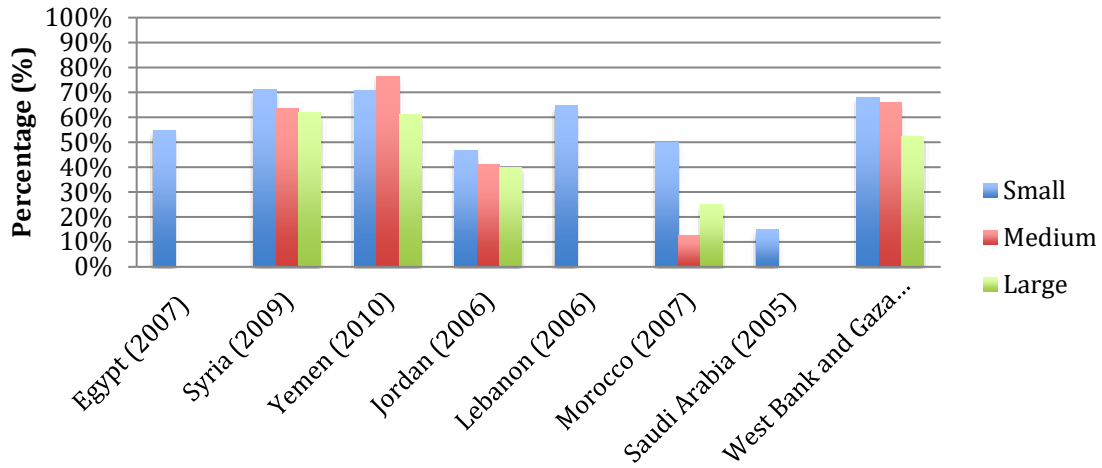
### Graph 1a: Obstacle: Tax Rate



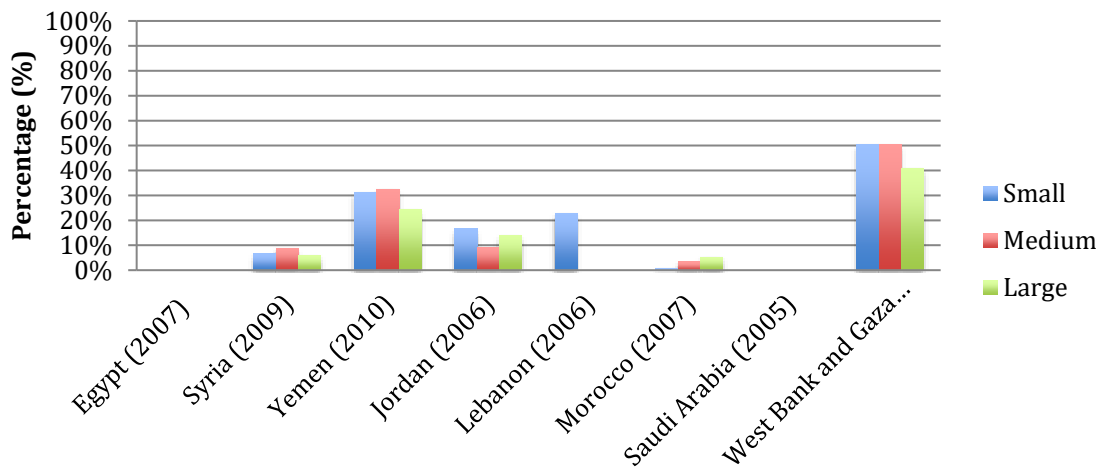
### Graph 1b: Obstacle: Tax Administration



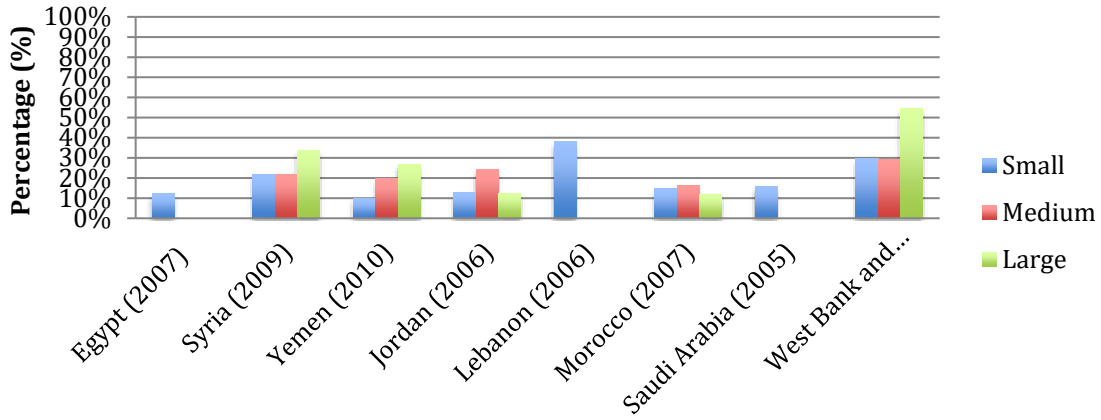
### Graph 2a: Obstacle: Corruption



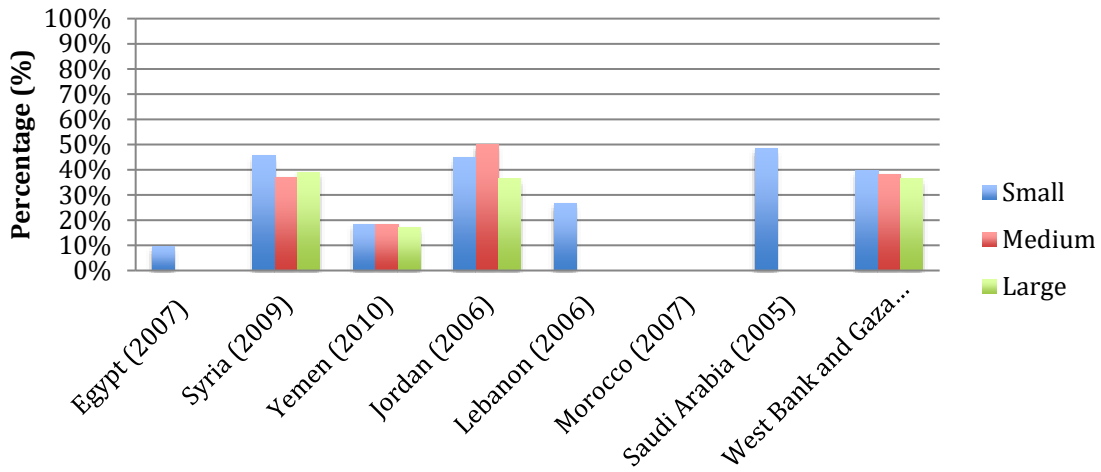
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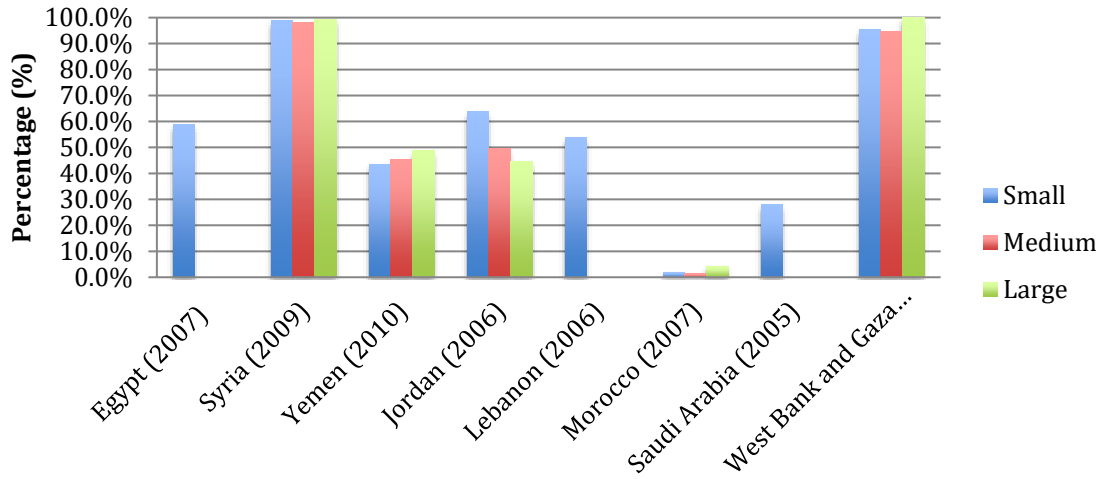
### Graph 3a: Obstacle: Custom and Trade Restriction



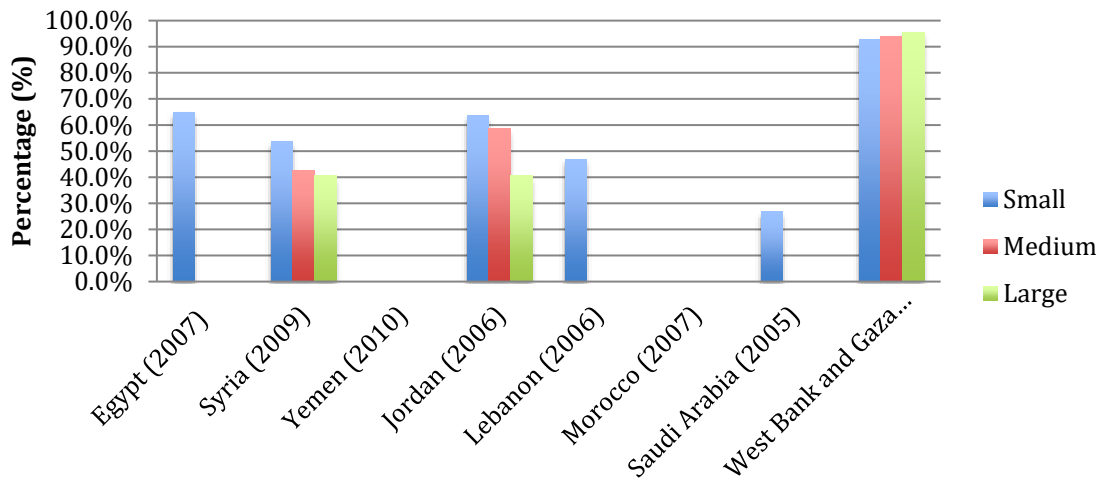
### Graph 3b: Business Licensing



### Graph 4a: Policy Uncertainty

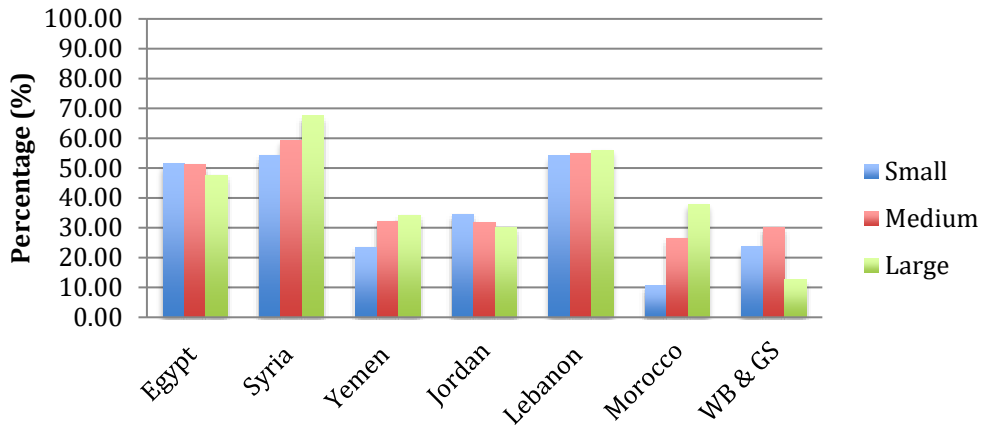


### Graph 4b: Macroeconomic Instability

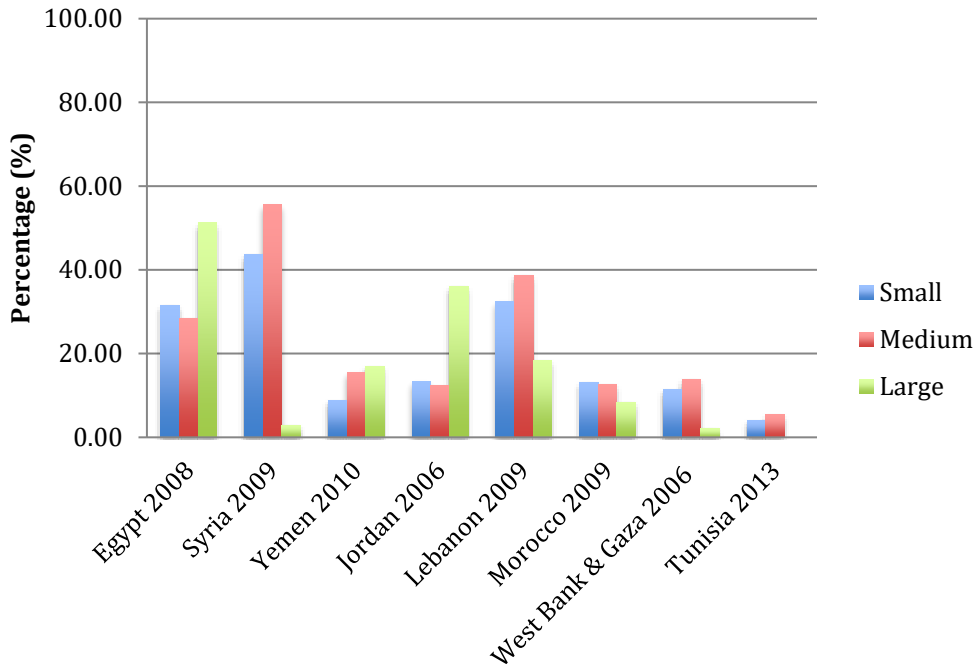




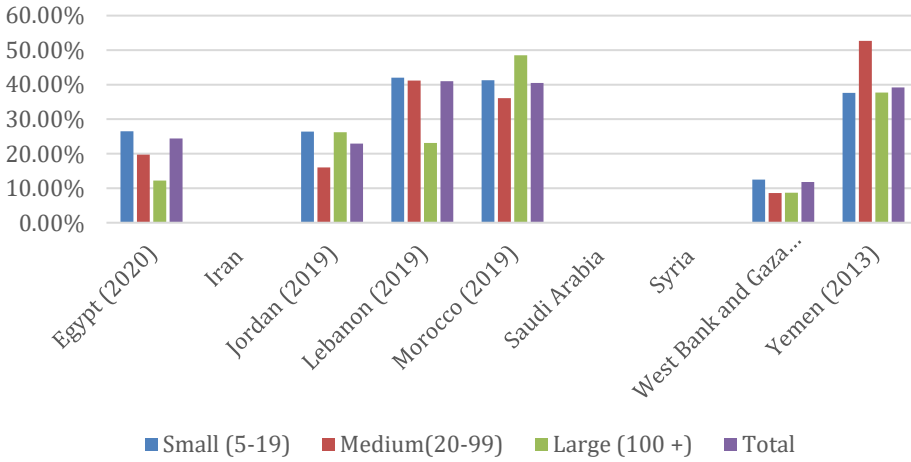
**Graph 5a: Obstacle: Inadequately Trained Workforce**



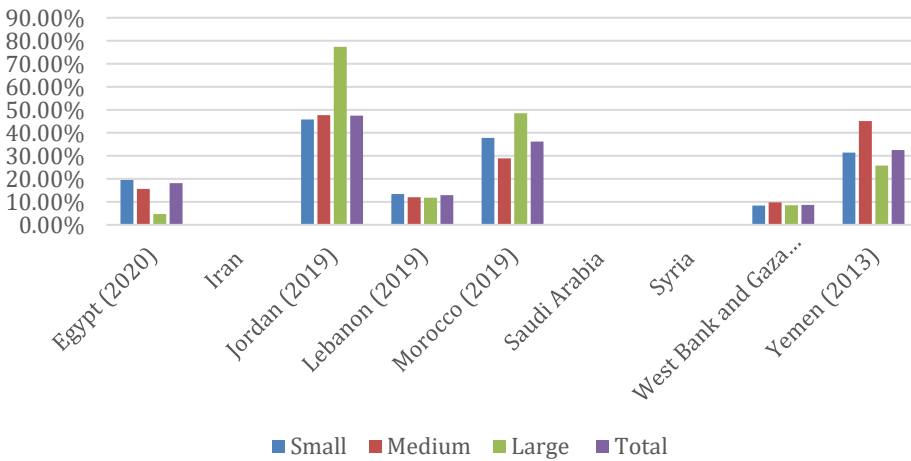
**Graph 5b: Obstacle: Labor regulation major constraint**



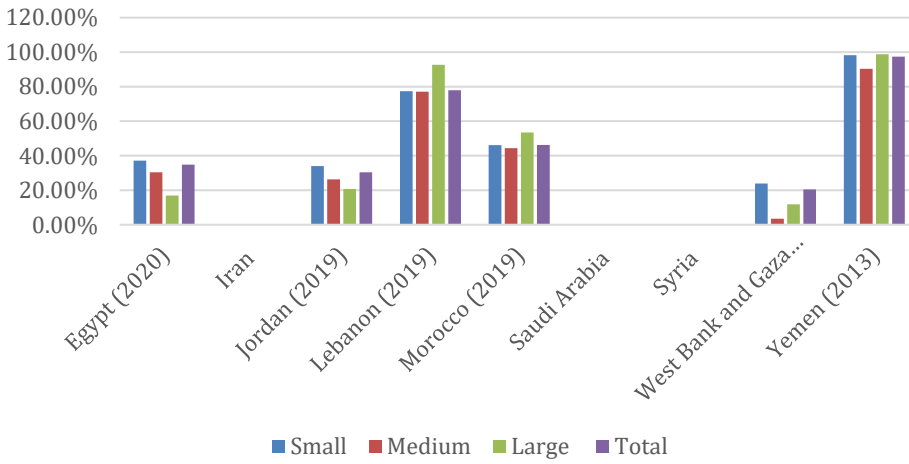
## Obstacle: Tax Rate (0)



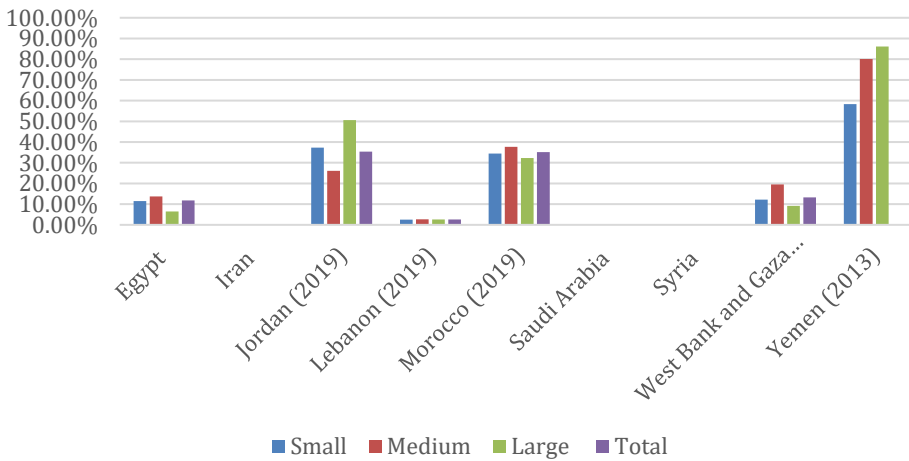
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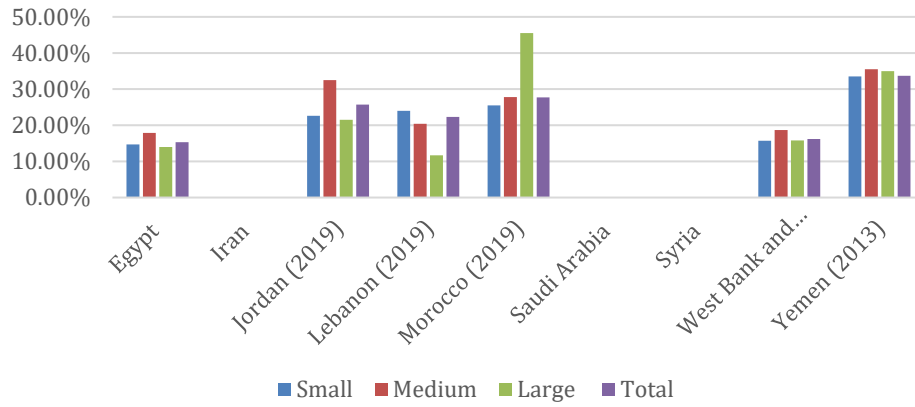
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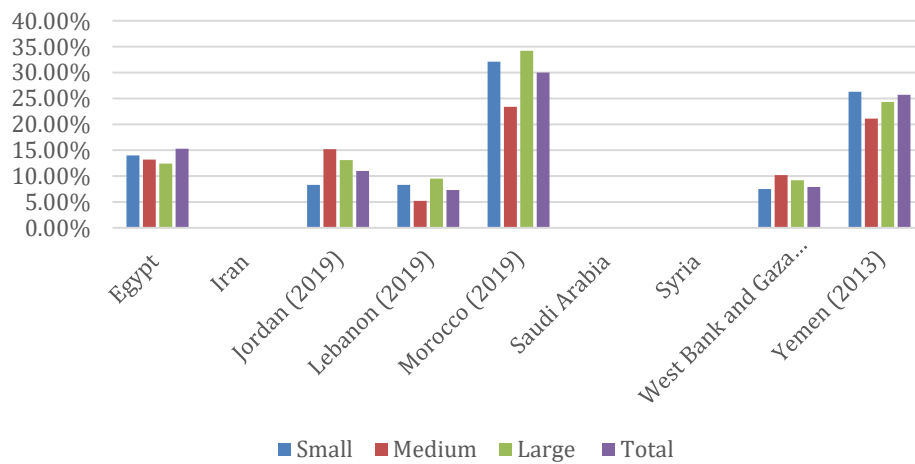
## Obstacle: Crime (0)



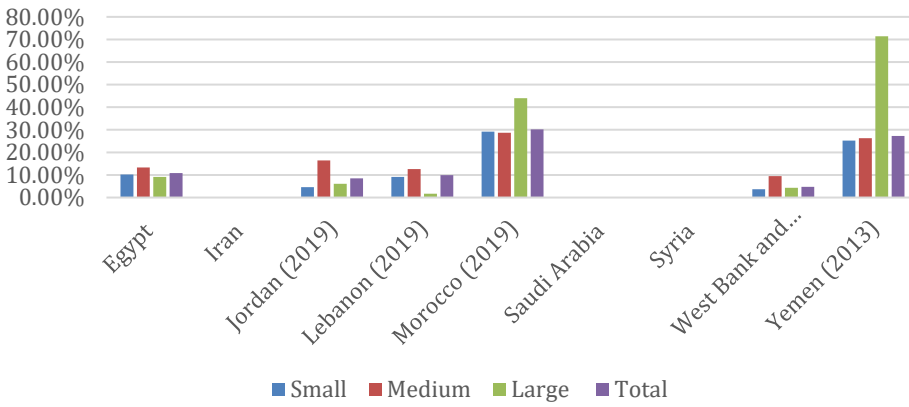
## Obstacle: Custom and Trade Restrictions (0)



## Obstacle: Business Licensing (0)



## Obstacle: Inadequately Trained Workforce



## Obstacle: Labor regulation major constrain

