

Class Grievances: The Arab Uprisings and Beyond

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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 as well as examining entrepreneur opinions after the Arab uprisings. We find evidence that dissatisfaction with levels of corruption was 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. However, we also notice that entrepreneurs had a wide range of often divergent views that varied according to size and country; these views were sometimes surprising and went against pre-conceptions of capitalists in the Middle East. Given the complexity of the grievances that triggered the Arab Uprisings, the data suggest no clear trend that could be said to forecast the uprisings, although the diversity of views of entrepreneurs presage to some extent the tensions surrounding post-uprising policy priorities, which in turn has contributed to the on-going policy impasse and instability in the region.

Keywords: Arab uprisings, entrepreneurs, corruption, Egypt, Syria, Yemen

JEL Classifications: L3, P1

ملخص

تحليل دور منظمي المشاريع في الانتفاضات العربية حتى الآن محدودا. نستخدم بيانات على المستوى الصغير لتسليط الضوء على مظالم رواد الأعمال كوكيل واحد للدور الذي ربما لعبته الطبقة في الانتفاضات العربية بالإضافة إلى فحص آراء رواد الأعمال بعد الانتفاضات العربية. وجدنا دليلاً على أن عدم الرضا عن مستويات الفساد كان مرتفعاً بشكل خاص بين رواد الأعمال في مصر- وسوريا واليمن عشية الانتفاضات العربية، لكننا نجد أيضاً أن رواد الأعمال العرب في جميع أنحاء المنطقة يتشاركون المخاوف عندما يتعلق الأمر باستقرار الاقتصاد الكلي، وقصر البنية التحتية وتدريب العمال، وكلها عوامل أساسية للتنمية الناجحة. كما نستكشف بيانات أحدث تشير إلى أن منظمي المشاريع في عدد من البلدان (بعضها شهد تغييرات في النظام، والبعض الآخر لم يحدث) لا يزالون قلقين بشأن الفساد والعقبات البيروقراطية المختلفة. غير أننا نلاحظ أيضاً أن منظمي المشاريع لديهم طائفة واسعة من وجهات النظر المتباينة في كثير من الأحيان والتي تختلف باختلاف الحجم والبلد؛ كانت هذه الآراء مفاجئة في بعض الأحيان وتتعارض مع المفاهيم المسبقة للرأسماليين في الشرق الأوسط. نظراً لتعقيد المظالم التي أدت إلى الانتفاضات العربية، تشير البيانات إلى عدم وجود اتجاه واضح يمكن القول إنه يتنبأ بالانتفاضات، على الرغم من أن تنوع وجهات نظر رواد الأعمال يندرج إلى حد ما بالتوترات المحيطة بأولويات سياسة ما بعد الانتفاضة، والتي بدورها ساهم في مأزق السياسة المستمرة وعدم الاستقرار في المنطقة.

1. 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),¹ 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 uprisings 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) 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 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 one country but not another is due to the coming together of disparate social forces that is to some extent a function of human agency and interaction. This also explains the lack of consensus about policies and objectives in the post Arab uprising 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

¹ 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.

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 also argues for a class based analysis, with a particular emphasis on the need to analyze changing expectations of the middle class. His empirical analysis focuses on Egypt and in his conclusion 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) (Diwan 2013: 26).”

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, using microeconomic data on entrepreneurs’ perceptions across the region.

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.”

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 groups 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 about what post-political change priorities should be, a point that comes out in our analysis.

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 exploring the views of entrepreneurs. While other studies look at distinct groups/categories our study concentrates on one, namely entrepreneurs, and illustrates how even within this category interests and motivations can be quite diverse. Bringing in the views of entrepreneurs in particular, we argue, not only provides a lens through which to understand potential points where the interests and priorities of some entrepreneurs may or may not dovetail with the priorities of others or even with members of other social classes, but also, consistent with Del Panta (2020), this analysis helps underscore why the political transitions that have emerged have been particularly fraught.

2. 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, 1998: 17). 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. We shall return to these key insights later when we discuss entrepreneur attitudes towards corruption and cronyism. Moreover, recent scholarship has shown the influence of oil on polities 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.² 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 political economies throughout the region.

While in the period leading up to Arab uprisings 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

² While 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), there is substantial variation within the Middle East in terms of aid largesse, with Israel, Egypt and Jordan receiving multiple amounts more per capita before 2010 than Yemen, Sudan and Syria.

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 in the region. But careful empirical analysis has begun to provide a more nuanced view of the relationship between economic factors and political stability. Our addition to this literature is to bring analysis of the role of class into sharper focus, with a particular emphasis on the perceptions of entrepreneurs.

3. Entrepreneurs’ grievances on the Eve of the Uprisings

Existing analyses have focused some attention on the role entrepreneurs might have played in either supporting or preventing political change. Cammett and Diwan (2013) and Kirsanli (2023) for example emphasize how widespread perceptions of crony capitalism contributed to popular unrest. The concept of ‘crony capitalism’ essentially relates to the ability of politically connected actors to extract economic advantages for their businesses, thus enabling them to achieve rates of return beyond what others are able to realize, but with likely deleterious implications on economic growth and job creation (Malik, Atiyas and Diwan, 2019). However, entrepreneurs are a diverse category and 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 has carried out a series of surveys of entrepreneurs, both in the period before the Arab uprisings and since, providing an excellent opportunity for analysts to examine what the major grievances of entrepreneurs were in a range of MENA countries in this period. The enterprise survey data are available through the World Bank web page and include formal sector firms with a minimum of five employees in the manufacturing and services sectors - eg ISIC codes 10-33, 41-43, 45-47, 49-53, 55-56, 58, 61-62, 69-75, 79, and 95 (World Bank 2nd).

Data were collected in Egypt (2008, 1530 firms), Jordan (in 2006, 503 firms), Lebanon (2009, 382 firms), Morocco (2007, 659 firms), Saudi Arabia (2005) Syria (2009, 508 firms), West Bank/Gaza Strip (2006, 401 firms) and Yemen (2010, 477 firms). More recent data are available for Egypt (2020, 3075 firms), Jordan (2019, 601 firms), Lebanon (2019, 532 firms), Morocco (2019, 1096 firms), Tunisia (2020, 615 firms), West Bank/Gaza Strip (2019, 365 firms) and Yemen (2013, 353

firms). 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.

Fifteen different indicators that are labeled by the survey as “obstacles” facing firms are included in standard enterprise surveys. The obstacles are clustered under five sub-topics – 1. Regulation and taxes, 2. Corruption, 3. Management practices, 4. Informality and 5. Gender. 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 (0),” “a minor problem (1),” “a moderate problem (2),” “a major problem (3)” or “a severe problem (4).” For this graphical analysis the categories major and severe were combined, to get a sense of which problems were the most serious and widespread, but for the correlation calculations we used the scale of 0 to 4. Obstacles that are more likely to be linked to resentment towards the government include perceptions concerning corruption, taxes, business licensing, labor regulations, and customs and trade restrictions. Other topics where entrepreneurs might be resentful that the government is not performing better include macroeconomic stability, infrastructure reliability, and the degree to which the labor force is perceived as being adequately trained. For this analysis, countries that experienced a change in government during the Arab uprising period (Egypt, Tunisia and Yemen), were placed on the left-hand side of each figure, while those that remained relatively stable were listed on the right, in alphabetical order. For the correlation estimates, more stable countries were assigned a 0 Egypt, Syria, Tunisia, and Yemen, were assigned a 1.

In the graphical analysis 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, since the argument is that crony capitalism rewards firms with government connections, which should make them relatively more successful than less connected firms.

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. Levels of tolerance for various types of government practices and economic conditions for example may 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.

In addition to graphically examining differences in perceptions of entrepreneurs, we ran a series of correlation coefficients where we coded Egypt, Syria and Yemen (the three countries in our sample that experienced extreme political disruption) with the value of 1 and the countries, which included Jordan, Lebanon, Morocco, Saudi Arabi and Palestine, with a 0.

Table 1 provides a summary of the correlation coefficients we estimated. Interestingly, the highest positive correlations we found were those measuring concerns about regulatory policy uncertainty and macroeconomic uncertainty.³ Much of the focus in the existing literature has been on the perception that many Arab countries were highly politically stable, with a decided lack of emphasis on the degree to which that stability extended to economic policies. In fact, a number of these

³ Not all surveys asked the same questions, so the countries included in each correlation estimate may vary.

countries got particularly low marks from entrepreneurs when it comes to these two indicators. As can be seen in Figure 1, in Syria regulatory uncertainty was seen as almost universally an issue among entrepreneurs. When it came to macroeconomic instability (Figure 2), this was particularly a concern for smaller entrepreneurs in Syria. In Egypt, well over the majority of entrepreneurs were concerned about macroeconomic instability, but policy predictability was a concern for a majority as well. In Syria and Yemen these were less of an issue, but still of concern to at least 40% of firms.

While the correlation coefficients suggest that these concerns were particularly salient to Egypt, Syria and Yemen, it is also the case that macroeconomic instability was a major complaint among Palestinian and Lebanese entrepreneurs, and regulatory policy instability an issue for Palestinian and Jordanian firms. Similar to the case of Syria, small entrepreneurs were particularly concerned about macroeconomic instability in Jordan. The fact that the perceptions questions that were most closely correlated with intensive political unrest during the Arab uprisings are those focused on policy uncertainty and macroeconomic instability provides a challenge to standard analyses that have been premised around the narrow ways that many regional analysts have been thinking about the concept of stability: while many analysts saw political or regime stability, our findings suggest that perceptions of economic policy instability may have undermined political stability. Because the former was under-analyzed, regimes were thought to be politically robust and stable as they had been historically. But what the entrepreneur data indicate is that political stability in a sense masked the instability and inconsistency of economic policy. Thus, analysis focusing more on concepts of economic stability are needed.

The third highest positive correlation we estimated, after regulatory and macroeconomics uncertainty, was related to corruption, although this estimate was only 0.156, whereas the previous two correlations were stronger, at 0.239 and 0.205 respectively. As can also be seen in Figure 3, in Egypt, Syria and Yemen concerns about corruption were particularly high, with over 60% of firms complaining that this was a major or severe issue in all three countries. If Chekir and Diwan's suggestion that half of all Egyptian firms had connections to the government is correct, this suggests that even some of those who were benefitting from their connections to the government felt that corruption was a problem. These observations—concern and criticism over corruption and cronyism along with apparently widespread cronyism—are in tension with one another but nonetheless are reconcilable if cronyism has become normalized and entrepreneurs are concerned with receiving their 'fair share' of cronyism. If so, cronyism may have reached its limits in terms of effectively placating entrepreneurs and building support for the political regime.

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, which is itself worthy of further analysis since empirical evidence suggests that crony capitalism is widespread in both countries (Diwan, Malik, and Atiyas 2019). So, although crony capitalism and corruption are often viewed as being closely linked in theory, this is not always revealed in surveys that ask entrepreneurs about corruption perceptions.

In Syria we see mild evidence that small firms are more likely to identify corruption as a problem (71%). Still, a remarkable number of large firms (62%) also identify corruption as a problem in

Syria. 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 lends support to the idea that crony capitalism in Morocco is particularly linked to large firms. Yet despite likely resentment among entrepreneurs who are not benefiting from special privileges provided by government, Morocco remains one of the most stable countries in the region. Interestingly, Morocco scored lowest of any country on policy uncertainty; unfortunately, no data concerning macroeconomic stability are available for Morocco.

The only correlation coefficient that came up as negative in our analysis was the one associated with business licensing, meaning that in countries that experienced political overhaul, capitalists did not see licensing as a problem (Figure 4). Business licensing was of particular concern in Syria and Jordan, but much less so in other countries, and there were no perceptible differences by size. It should be noted that business licensing also was far less of a concern on average for firms than the three previously discussed variables. The overall proportion of firms identifying licensing as an obstacle was generally well below 50 percent, indicating that this is not one of the most pressing issues entrepreneurs are concerned about. This is somewhat surprising because these assessments appear to survey disproportionately, if not exclusively, firms in the formal sector, and it is these surveyed firms that have expended resources for formalization. On the other hand, it may be because these sunk costs of formalization have largely been paid that they no longer register as concerns.

Not surprisingly, firms have concerns about taxation, although again there is no correlation with those countries experiencing the most severe disruptions during the Arab uprisings and the overall rates of concern are lower than for the first three variables discussed. The role of size varied by country. Whereas in Yemen large firms were more concerned about taxation, the opposite was true in Jordan and Palestine. This may be related to the degree to which small firms are not part of the formal sector and so not subject to taxes, and possibly more common in Yemen than in Jordan or Palestine.

Another interesting set of variables worth examining focus on firms' views around labor, given that firms and workers may have very different perceptions when it comes to labor regulations (Figure 7) and labor preparedness (Figure 8). Here the results are striking for two reasons. First, overall labor regulations are far less of a concern for entrepreneurs across the region than policy instability, macroeconomic instability and corruption, and disproportionately low in comparison to the emphasis that it has received from international financial organizations such as the World Bank. But what is also noteworthy in examining the numbers in table 1 are that there is no correlation between uprisings and labor concerns, given that the coefficient estimated was 0.016, which is very close to zero. While firms in Egypt and Syria do indicate some concern with labor regulations, most do not, with the proportion of firm complaining at below fifty percent (with the exception of medium size firms in Syria). Similarly, in Lebanon medium size firms express the most concerns, whereas in Egypt and Jordan large firms are the most concerned about labor regulations.

Whereas labor regulations are a concern for some firms, what is more striking is that firms are more concerned about inadequately trained workers rather than regulation per se. This finding

reconfirms what numerous analysts have already pointed out, which is that the region needs to do a better job of preparing its workers for employment, an indication that education reform is needed. The correlation coefficient is positive but is not very big at 0.088.

In sum, in examining data from the World Bank surveys provides important insights into the question of which elements of society were disgruntled and eager to push for political changes. We find evidence that entrepreneurs in Egypt, Syria and Yemen were particularly disgruntled, when it came to the problem of policy uncertainty, macroeconomic uncertainty and corruption.

Additionally, 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.

4. Views of entrepreneurs post Arab uprisings

Turning to the enterprise surveys conducted after the Arab uprisings, we again find disparate attitudes among entrepreneurs. Most noteworthy is that despite changes in government in Egypt, Syria and Yemen, corruption remains a major concern. While entrepreneurs seem less concerned about corruption in Egypt, perceptions of corruption are actually higher in Yemen, post uprising. Unfortunately, the Enterprise survey was not carried out in Syria after 2009. Also noteworthy is that in some countries that did not experience uprisings in 2010 and 2011, including Morocco and Lebanon, perceptions of corruption have risen. Perceptions of corruption decline with entrepreneur size in Egypt, Tunisia and Jordan, but the decline is largest in Morocco, where the difference between small and large entrepreneurs in terms of perceptions of corruption shrinks considerably.

High taxes are still viewed as an obstacle for entrepreneurs in Tunisia and Yemen, two countries that experienced uprisings, but also in Lebanon and Morocco. In Egypt, Lebanon and Tunisia, small entrepreneurs were more likely to be concerned about high taxation, but the reverse is true in Morocco. Concerns about business licensing were higher in Syria and Jordan, but there were no discernable differences by size of firm.

We did not include a later table, because labor regulation remains for the most part, a lesser concern for entrepreneurs. Only in Morocco and mostly among large entrepreneurs, was labor regulation identified as an obstacle.

These findings do not fit neatly into the narrative of over-regulated labor markets in the Middle East and North Africa, although it is easy to see how smaller capitalist might be less concerned given that it is more likely that their labor force is unregistered. Of far more concern remained the issue of inadequately trained workforces, identified as an obstacle by entrepreneurs in Yemen, Morocco, Tunisia and Turkey, with larger capitalist viewing this as more of an obstacle.

Unfortunately, in most of these surveys, the questions about macroeconomic stability and policy uncertainty were no longer being asked in recent years. Given the widespread concern with these issues among entrepreneurs across the region, removing these questions seems like a shortsighted decision on the part of the World Bank. Of the questions that remain in common with the earlier

surveys, a focus on electricity shortages, one of the obstacles that was frequently in the top list of entrepreneurs is worth exploring further.

The most recent Enterprise data indicate that electricity infrastructure is one of the top five concerns of firms in the region, coming in ahead of corruption (which was fifth) in terms of top concerns. Some of the issues with the lack of electricity infrastructure can be linked to levels of development as well as long term conflict. Thus, it is no surprise that in Yemen, as indicated in Figure 11, almost all firms experienced electricity outages. Particularly shocking (no pun intended) though is the degree to which Tunisia, which is defined as a middle-income country, followed by Egypt and Morocco, which are defined as lower middle-income countries, are still struggling to provide adequate basic infrastructure to their industrial sectors. It's also worth noting that in Lebanon firms do not report experiencing electrical outages because they have adjusted by installing their own generators (Figure 12).

5. Concluding remarks

The finding that perceptions of corruption were correlated with subsequent political instability confirms some previous analysis of the Arab uprisings that has emphasized this factor. But we also find even stronger correlations between regime change and entrepreneurs' grievances focused on regulatory policy and macroeconomic uncertainty. In light of the considerable emphasis that previous analysts have put on the assumption of political stability in the region, our findings raise important questions about how analysts define the concept of stability in the period before the Arab uprisings, to the exclusion, apparently, economic instability on the part of entrepreneurs, which is arguably harder to detect than the oft-assumed rentier-induced political stability. It is therefore unfortunate that the World Bank eliminated these questions in subsequent surveys.

The remaining obstacles we examined were not correlated with regime change, but are still worth examining in more depth because they provide insights for other reasons. For example, a closer analysis of firms' perceptions around labor is interesting to explore, because one might assume that firms and workers would have divergent views around various labor issues and that this would be a point of contention when it comes to devising policies in the post Arab uprisings era. But interestingly, labor regulations are not a huge concern among firms throughout the region, whether they experienced a change in governments or not, with large firms in Morocco being the only exception to this finding. This as well is interesting, given their more likely association with the government. Far more important in regards to labor concerns, is the fact that so many firms note that labor are inadequately trained, an example where further investment in basic infrastructure (e.g. education) is required and also a possible point of agreement between labor and capital.

Another major concern in both those countries that experienced changes in government and those that did not is the lack of reliable electricity. The need to invest in basic infrastructure and stabilize macroeconomies are likely to be concerns that workers and entrepreneurs are likely to share.

We argue that our findings also add nuance to the concepts of crony capitalism and rentierism, which we feel are often overused such that they lose their meaning. We conjecture that there may be very real limits to cronyism, with capitalists competing to receive what they perceive is their deserved allocation of cronyism, while criticizing the state for corruption when they are

disappointed with that allocation because it is unequal. 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, including possibly over the fair distribution of cronyism. This may explain how even larger firms, which one assumes are more likely to have connections to the government, in a number of countries, were equally or even more concerned about policy uncertainty and, critically, corruption for example.

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Figure 1: Policy Uncertainty Pre-Arab Uprisings

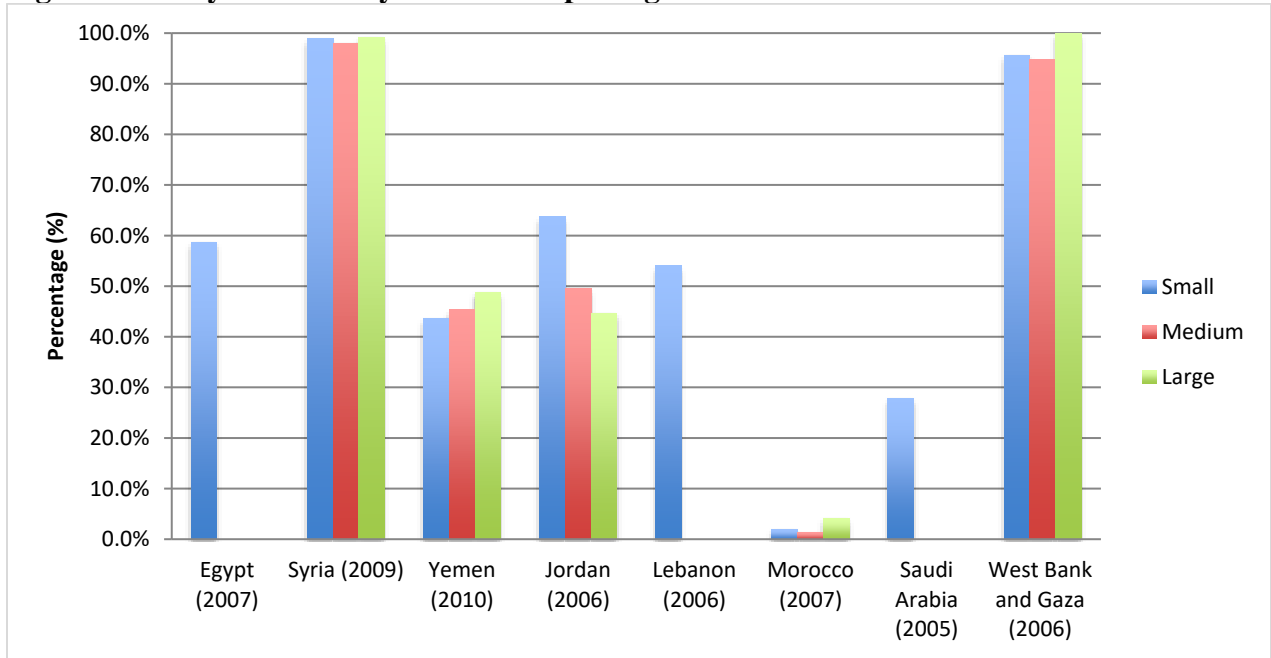


Figure 2: Macroeconomic Instability Pre-Arab Uprisings

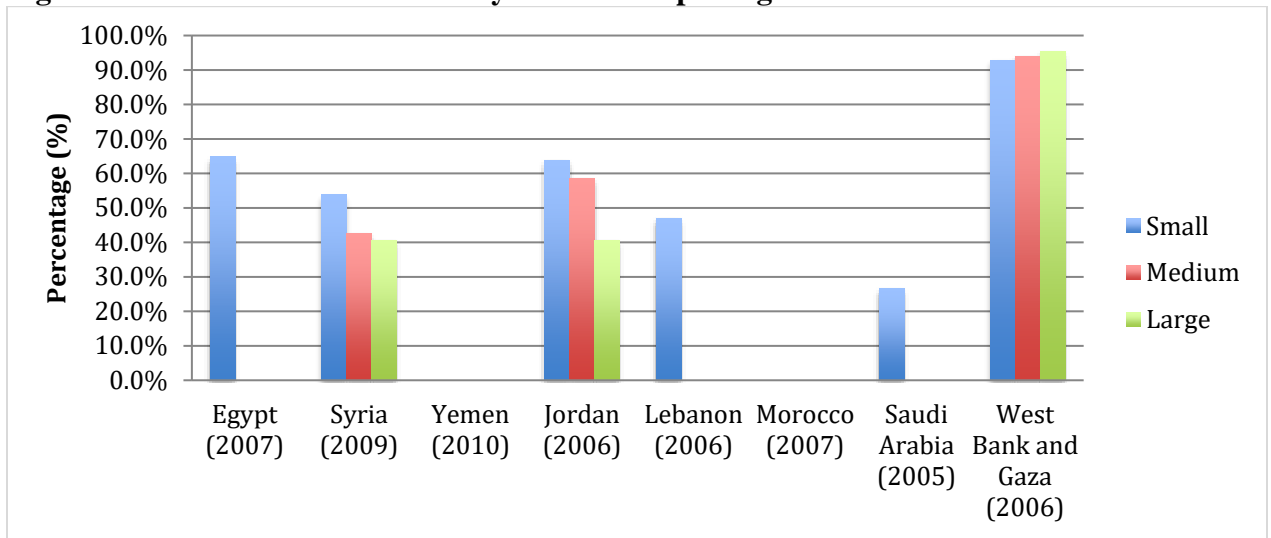


Figure 3: Obstacle - Corruption Pre Uprisings

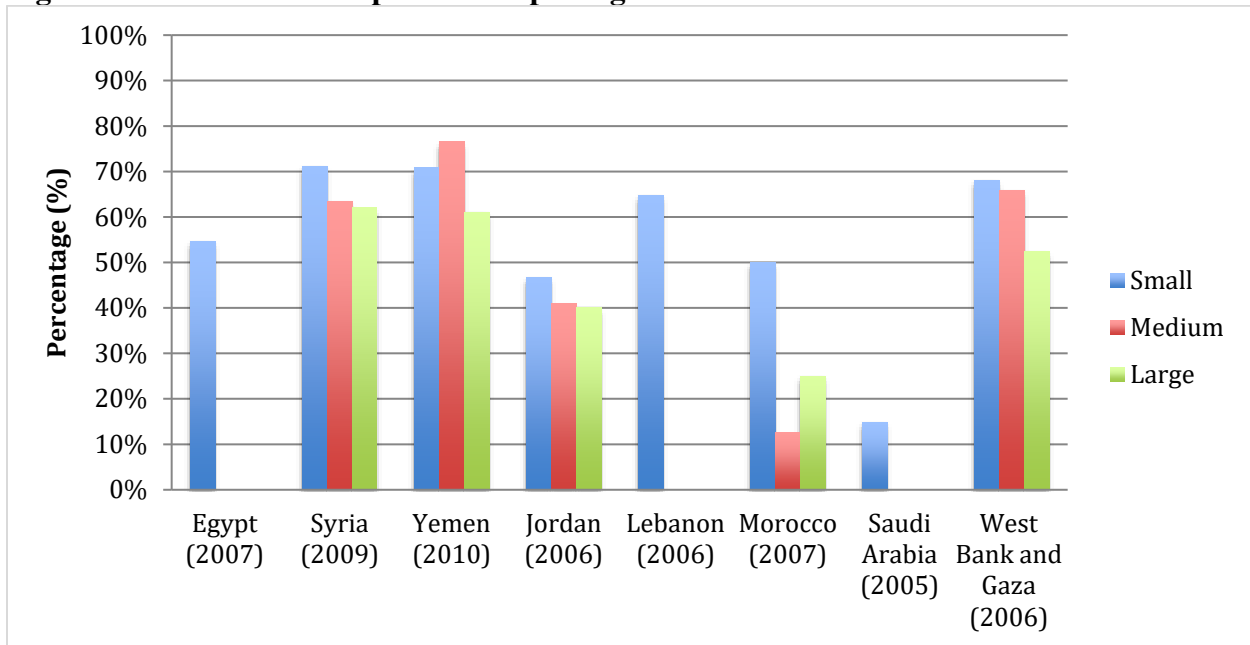


Figure 4: Business Licensing Pre Uprisings

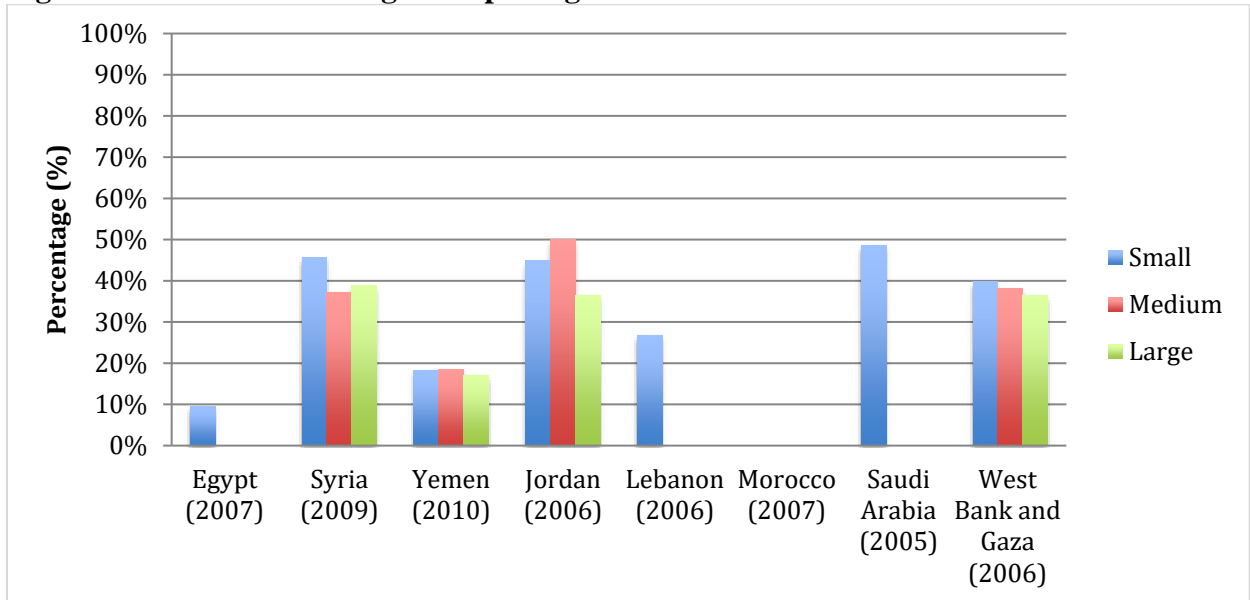


Figure 5: Obstacle - Tax Rate Pre Uprisings

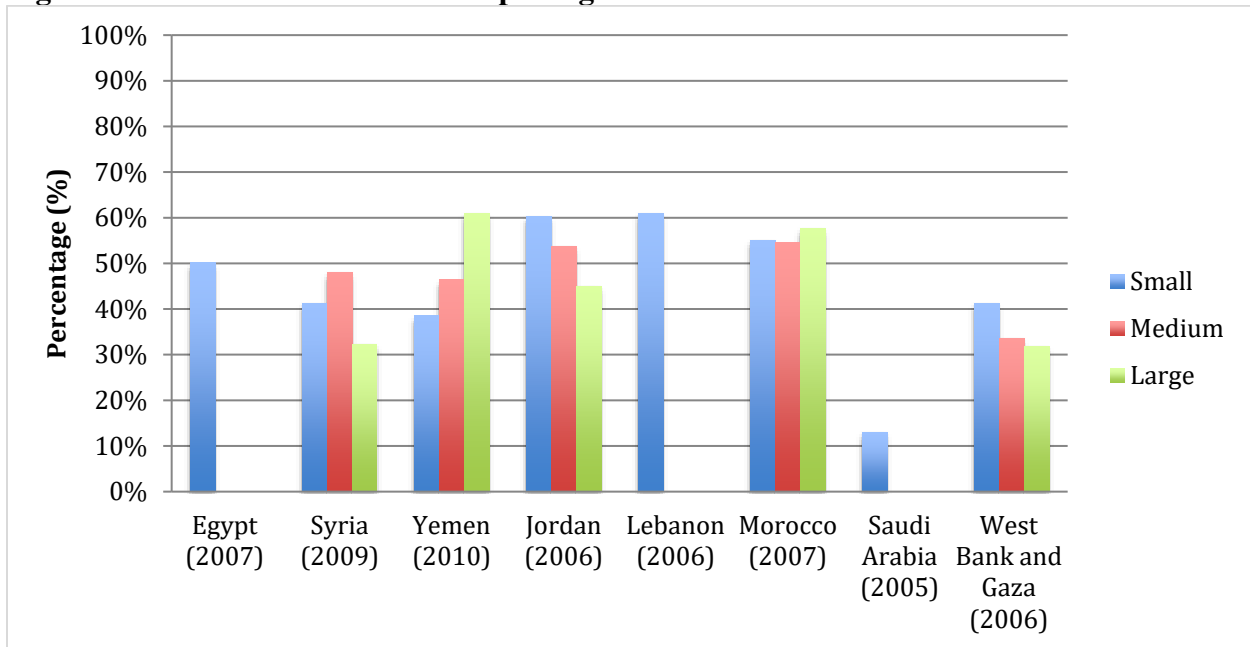


Figure 6: Obstacle -Tax Administration Pre Uprisings

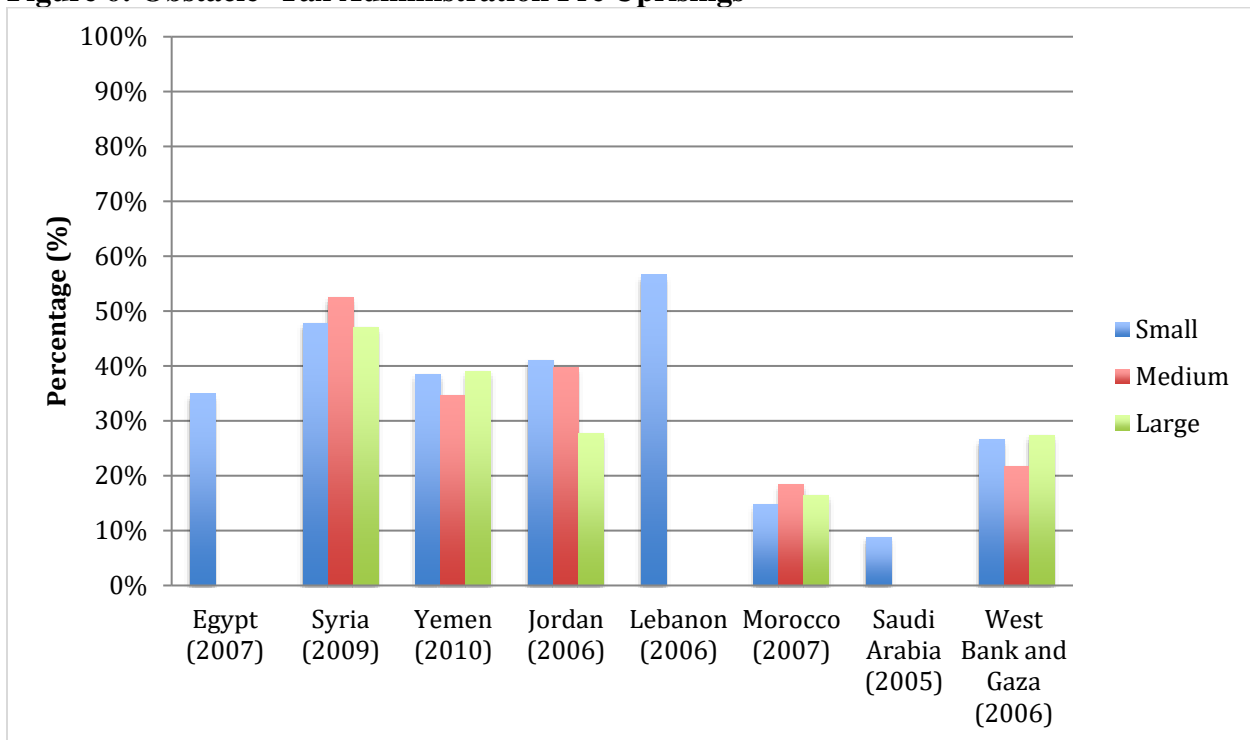


Figure 7: Labor Regulation Major Constraint – Pre Arab Uprisings

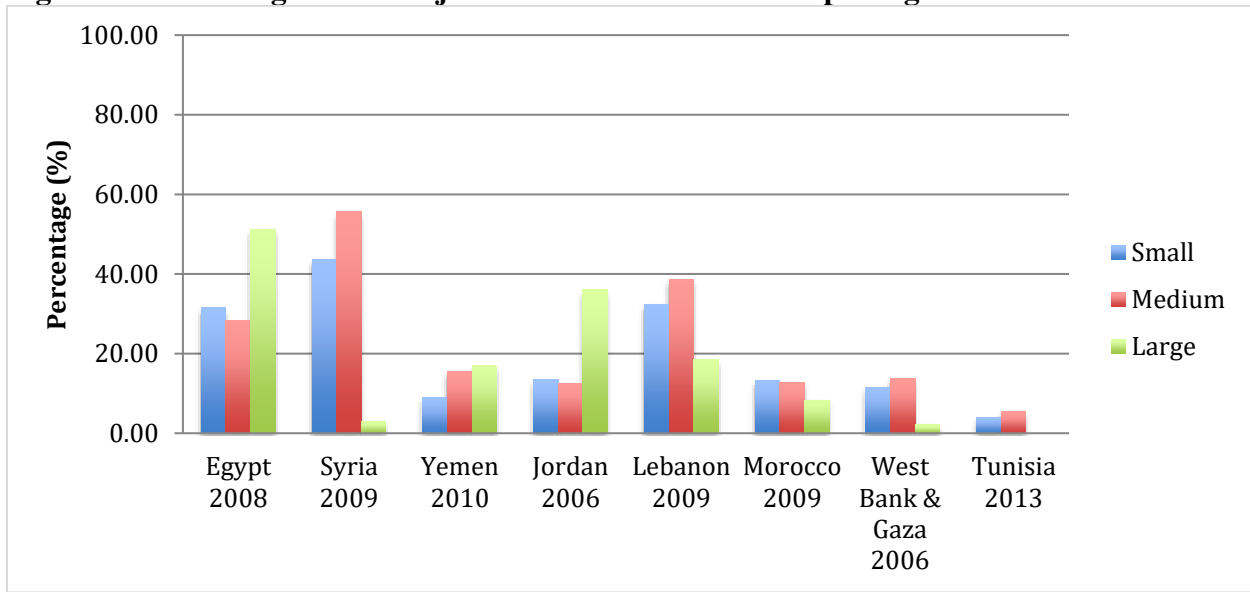


Figure 8: Inadequately Trained Workforce - Pre Arab Uprisings

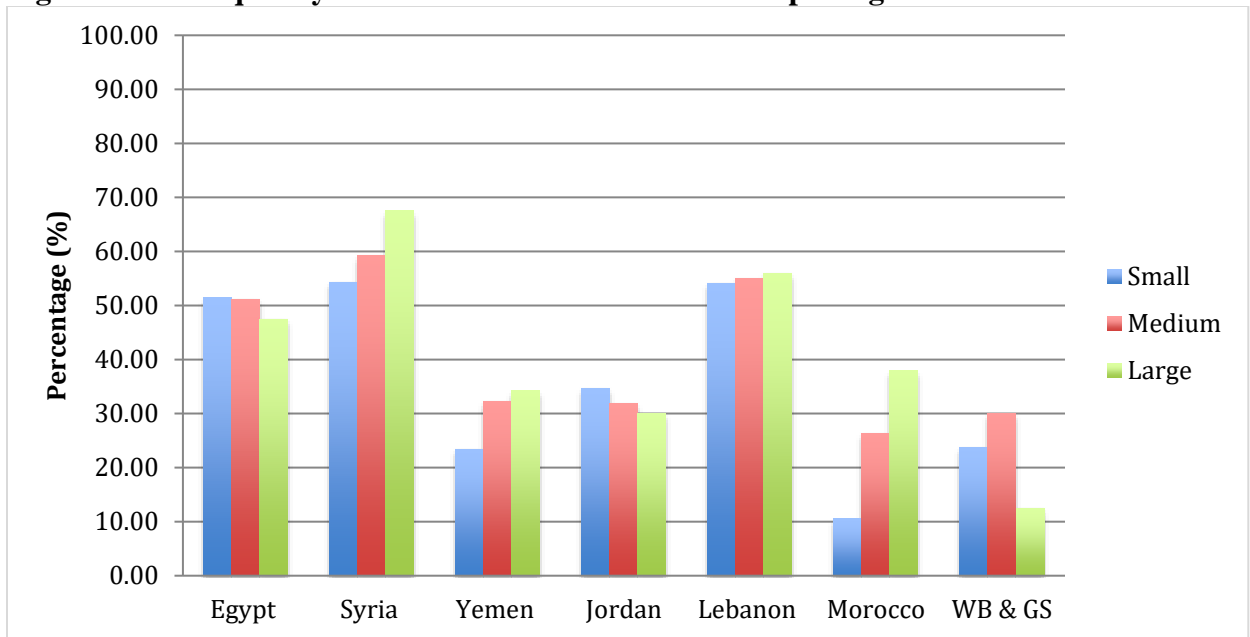


Figure 9: Obstacle – Corruption: Before and After the Arab Uprisings

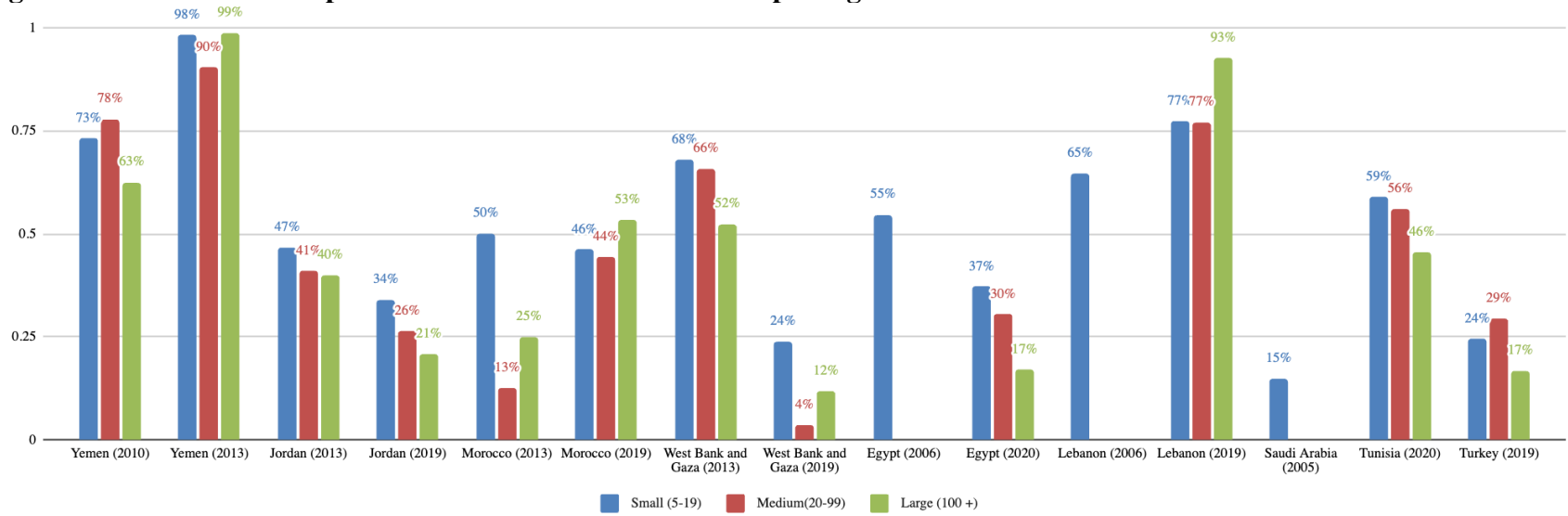


Figure 10: Obstacle – Tax Rate Comparison Before and After

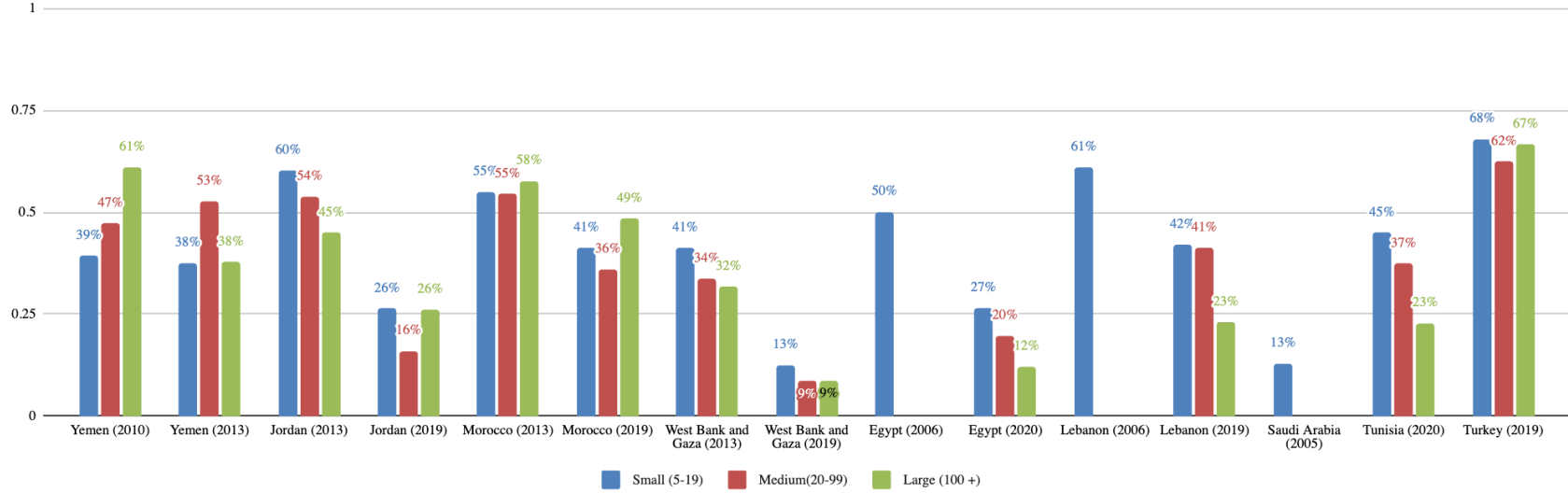


Figure 11: Percent of Firms Experiencing Electrical Outages Post Arab Uprisings

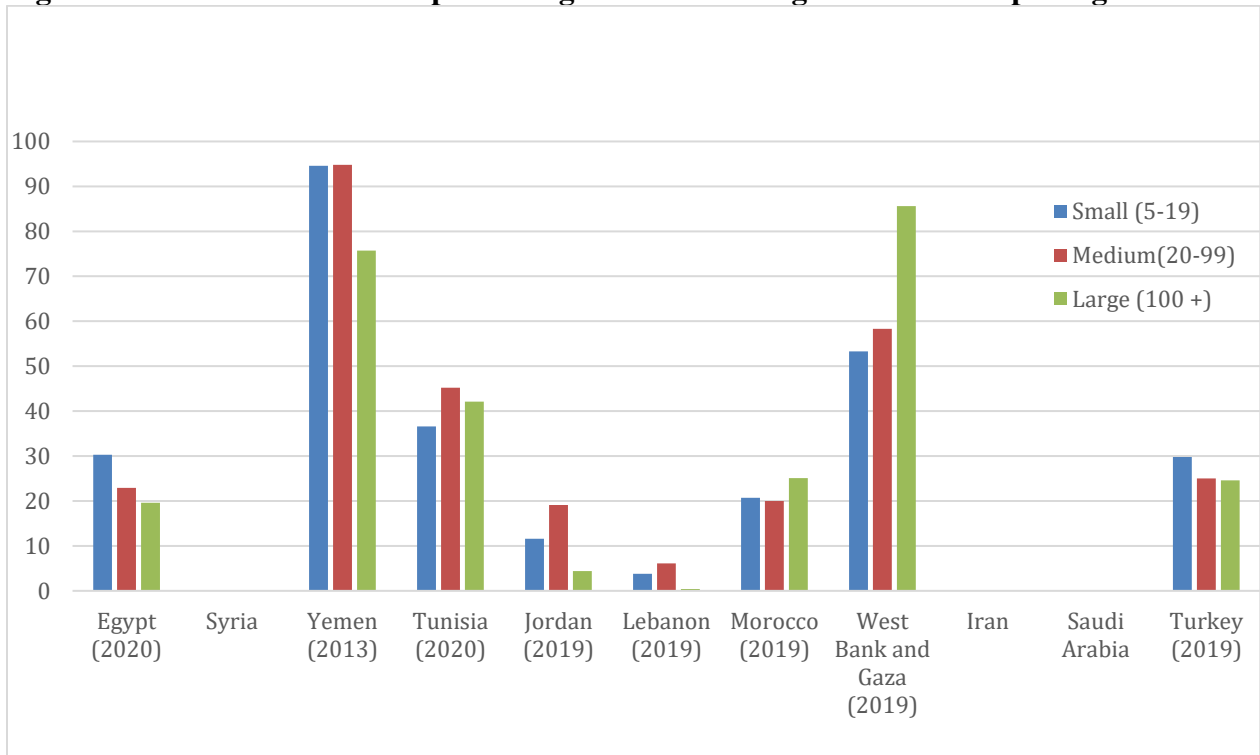


Figure 12: Percent of Firms Owning or Sharing A Generator Post Arab Uprisings

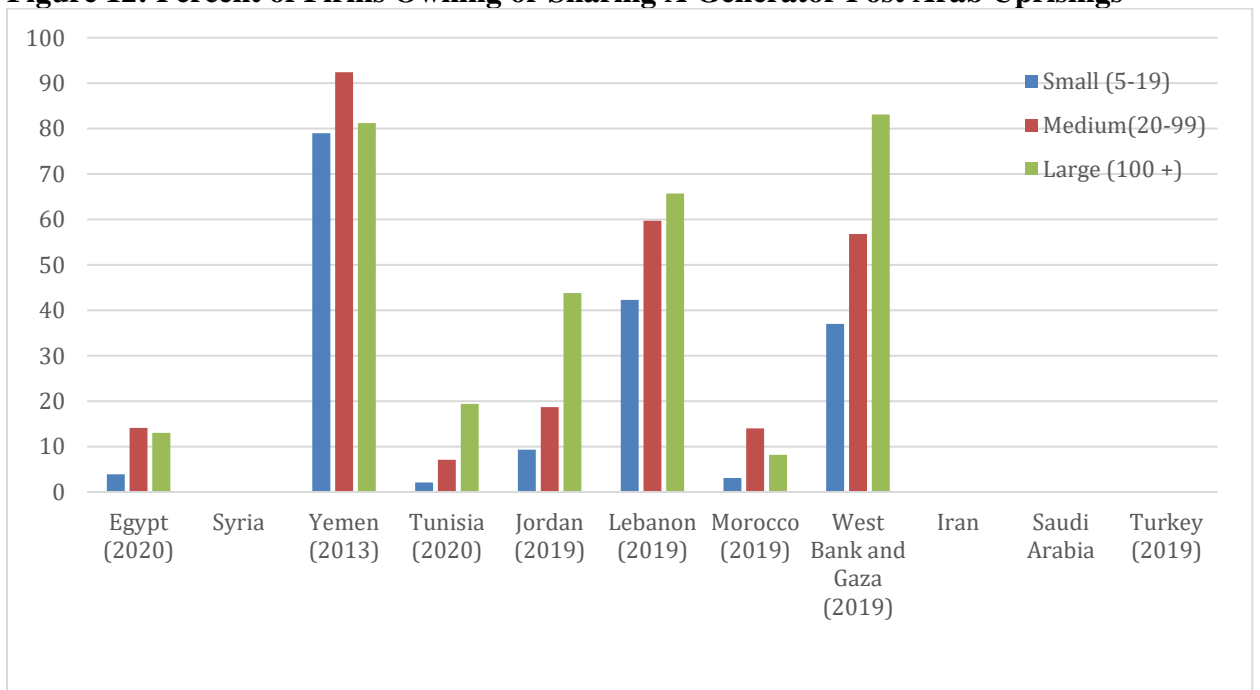


Table 1: Obstacle Correlation

Obstacle	Correlation
Electricity	-0.0876824
Price of Land	0.000205237
Regulatory Policy Uncertainty	0.238766055
Labor Regulations	0.015817978
Macroeconomic Uncertainty	0.204842923
Skills and Education of Available	0.083104031
Corruption	0.156564514
Business Licensing and Operation	-0.18058679
Tax Rate	0.00820003