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By Steven Heydemann

The "dignity revolutions" of 2011 drew much of their momentum from the smoldering anger of citizens across the Middle East about growing inequality and economic exclusion, deepening economic insecurity, the pervasiveness of corruption, and the capture of economic liberalization programs by crony capitalists tightly linked to regime elites.[1] If the specific triggers that transformed individual grievances into mass mobilization in January 2011 remain a matter of speculation, the economic discourse of the uprisings gave voice to insurgent demands for distributive justice and for the creation of an economic order that would repair the redistributive underpinnings of citizenship and of state-society relations. Western observers of the Arab uprisings tended to interpret the economic grievances of protesters as a response to corruption and the flawed implementation of liberalization programs. Yet a more radical critique of the economic practices of authoritarian regimes was evident in the signs and slogans of protesters, and among Arab intellectuals and civil society activists. Meeting in Cairo in May 2011, for example, the Arab NGO Network for Development (ANND) issued a declaration, "Towards a New Social Contract", that linked popular demands for dignity to the establishment of a just social and economic

1. United Nations Economic and Social Commission for Western Asia, *Survey of Social and Economic Developments in the ESCWA Region, 2011-2012*, Beirut, ESCWA, 2012.

order, and the creation of a state that supported solidarity among citizens and accepted economic security, employment, and social protection as fundamental rights.[2] Appeals for social and economic democracy were thus inextricably linked to those for political freedom.

Today, as the so-called "Arab Spring" moves toward its fourth anniversary, the euphoria of 2011 has faded and economic grievances persist.[3] Tunisia's post-authoritarian transition continues, with a peaceful transfer of power following elections in October 2014. Elsewhere in the region, however, regime transitions have either collapsed into violence, as in Libya and Yemen, or produced an intense authoritarian backlash. In July 2013, Egypt's first democratically-elected president, Mohammed Morsi, was overthrown by the military following a new wave of mass protests. His ouster provoked deadly clashes between security forces and Morsi's supporters, along with unprecedented suppression of the Muslim Brotherhood. Syria's protesters have been brutally repressed by the Assad regime, whose massive use of violence drove Syria into civil war and produced what the UN High Commissioner for Refugees has called the worst humanitarian disaster since Rwanda in 1994. Bahrain's uprising was also repressed, less violently but no less thoroughly, with the assistance of Saudi and Emirati troops. In both Bahrain and Syria, repression has intensified sectarian tensions and deepened social polarization.

No less important, the quality of economic life for the vast majority of people in the MENA region has not improved in the period since the start of the Arab uprisings. To be sure, MENA economies have been hard hit by the political turmoil associated with post-authoritarian transitions, the collapse of Syria's economy, and the political and economic spillover of the Syrian conflict across the Levant. Nonetheless, the political openings of 2011 have not yet produced significant shifts in the underlying patterns of economic governance that defined the Middle East over the past several decades. Despite a region-wide surge in social spending in 2011, the economic and social conditions that helped spark the Arab uprisings persist. The region's economic trajectory thus offers an important if preliminary opportunity to assess the initial effects of the Arab uprisings on policymaking in a critical domain in both transitional regimes and authoritarian survivors. It also offers an opportunity to revisit claims about the crisis of authoritarianism in the Middle East, in particular claims that authoritarian regimes had become too brittle to adapt to the economic pressures that provoked a cascade of mass protests in late 2010 and early 2011.

2. Arab NGO Network for Development, "Toward a New Social Contract", May 2011, (**http://www.annd.org/english/news.php?latestId=29**).

3. Asef Bayat, "Revolution in Bad Times", *New Left Review* 80, March-April 2013, p. 47-60.

Economic Governance in the Wake of the Arab Spring

If, as Jack Goldstone has claimed, the survival strategies of "sultanistic dictators" in cases such as Tunisia and Egypt made those regimes "brittle, not resilient", and helped create the conditions for revolution, we should expect to see variation in how "revolutionary" regimes and their authoritarian counterparts govern, especially with respect to economic policy.[4] Notably, elected post-authoritarian governments should be expected to reorient economic policies to respond to the concerns of newly-empowered voters, reducing inequality and strengthening redistribution, while authoritarian survivors adhere to existing economic policies.[5] This divergence between the two regime types is to be expected not only because free and fair elections in post-authoritarian countries create incentives for political leaders to be responsive to constituents, but also because of how inequality affects the prospects for democratic consolidation. As Boix and others have shown, there is a correlation between the level and intensity of inequality and regime type, with implications for how post-authoritarian leaders should structure economic policy if they hope to consolidate democracy.[6] In transitional Arab regimes, renewing redistributive policies could have tempered popular demands for radical economic change, built support for incumbents and, if handled effectively, reassured the well-off that they would not be subject to predatory taxation.

How dramatically we should expect post-authoritarian economic policies to differ from those of authoritarian survivors is an important question. Caution in this regard is advisable. As Kienle makes clear in his contribution to this issue, the economic platforms of Islamist parties in Tunisia and Egypt, Ennhada and the Muslim Brotherhood, are broadly sympathetic to the hybrid but increasingly market-oriented development policies of their predecessors, tempered by more assertive claims of support for social welfare, redistribution, and economic security.[7] Nonetheless, as the first opposition parties voted into power in the Arab world in more than five decades, elected in no small part as a rejection of the economic policies of their predecessors, both Ennahda and the Egyptian Ikhwan faced strong incentives to differentiate their economic policies from those of the Mubarak or Ben Ali regimes.

4. Jack Goldstone, "Understanding the Revolutions of 2011: Weakness and Resilience in Middle Eastern Autocracies", *Foreign Affairs* 90 (3), May-June 2011.

5. On the role of economic grievances in protest movements that preceded the Arab Spring, see Taylor Seybolt and M. Najeeb Shafiq, "Grievances, Opportunity and Protest in Four Arab States", unpublished paper prepared for presentation at the annual meeting of the American Political Science Association, August 2012. Cited with permission. For Tunisian public opinion data on attitudes toward economic well being just prior to the outbreak of mass protests in January 2011, see Gallup World, "Analyzing the Dawn of the Arab Spring" **(http://www.gallup.com/poll/157049/tunisia-analyzing-dawn-arab-spring.aspx**).

6. Carles Boix, *Democracy and Redistribution*, New York, Cambridge University Press, 2003.

7. Jane Kinninmont, "'Bread, Dignity and Social Justice': The Political Economy of Egypt's Transition", Chatham House Briefing Paper, April 2012 (**http://www.chathamhouse.org/publications/papers/view/183047**).

Some early indicators suggested that such variation in economic policies would indeed emerge. In 2011 and 2012, Islamist political parties in Egypt and Tunisia competed for votes on platforms that stressed economic justice and the imperative of addressing issues such as unemployment and the need to strengthen social welfare systems. Newly elected leaders in both countries affirmed their intent to eliminate the practices that provoked mass protests, create jobs, expand redistributive programs, and target corruption and inequality.[8] With future elections looming on the horizon, moreover, these transitional governments had powerful incentives to use economic policy to broaden political inclusion, improve social mobility, and mitigate the grievances that contributed to the overthrow of their predecessors. Conversely, with their continued existence at risk as a result of the Arab uprisings, authoritarian survivors might be expected to rely even more heavily on the economic tactics and tools that had kept them in power for so long, including the practices through which they purchased the loyalty of key constituencies and sustained patronage networks.[9]

At the risk of concluding too much too soon, however, a comparative assessment of regime responses to the Arab Spring indicates that elected transitional governments pursued economic policies that differed little if at all from those of the authoritarian survivors – a category that includes a large majority of Middle Eastern cases.[10] Nor does a comparison over time reveal any marked differences in this area. Across the region, elected governments and their authoritarian counterparts have adopted a strikingly similar mix of economic strategies, combining redistribution and social provision, the use of economic side-payments to politically important constituents, and a continued commitment to reductions in social spending and programs of economic liberalization.[11]

Moreover, as both transitional and surviving authoritarian regimes struggle to balance rising demands for economic justice with the need to maintain policy environments that reassure local business interests, international investors, and international financial institutions (IFIs), they have been compelled to respond to external uncertainty about their commitment to market-oriented strategies of economic development. In some cases, including Tunisia, Morocco, and Jordan,

8. In late 2011 following elections to a constitutional assembly, the leader of Tunisia's ruling Islamist Ennahda Party, Rachid Ghannouchi, explicitly affirmed the intent of party leaders to seek control of ministries that would give the party a chance to demonstrate to Tunisians its ability to respond to popular concerns about employment, living standards, and prices. Meeting with Rachid Ghannouchi, US Institute of Peace, Washington, DC, December 11, 2011.

9. Steven Heydemann (ed.), *Networks of Privilege in the Middle East: The Politics of Economic Reform Reconsidered*, New York, Palgrave, 2004.

10. See Toby Dodge, "Conclusion: The Middle East after the Arab Spring", in *After the Arab Spring: Power Shift in the Middle East?*, LSE Ideas, SR011, May 2012, p. 64-68.

11. Mohamed Hedi Bchir and Taoufik Rajhi, "Short Term Economic Responses to Unemployment in the Arab Region", Paper presented at a UNESCWA Conference, Beirut, November 2012, (**https://www.gtap.agecon.purdue.edu/resources/res_display.asp?RecordID=4256**). For one recent example of the resilience of privileged economic networks in the Moroccan case see: **http://fr.lakome.com/index.php/enquetes/112-carrieres-de-sable/329-enquete-au-royaume-de-la-rente**.

social expenditures were reduced after an initial boost in early 2011. In others, notably Egypt, the fate of social spending emerged as a source of significant friction between the ruling Muslim Brotherhood and the International Monetary Fund (IMF). Nervous about a popular backlash against reductions in social spending in the run-up to parliamentary elections, Egypt's Muslim Brotherhood refused to adopt conditions required by the IMF to secure a $4.8 billion loan agreement. In general, and with the partial exception of Egypt during Morsi's tenure, transitional regimes have largely resumed implementation of economic liberalization programs, austerity measures, and subsidy reductions. Authoritarian survivors in Jordan and Morocco have followed a similar path. In both countries, the resumption of economic reforms in 2012 sparked new waves of protest. Only among the oil-exporting monarchies of the Arab Gulf, where vast capital surpluses make it possible to sustain expanded redistributive programs without jeopardizing economic fundamentals or international credit ratings, has there been no retreat from redistributive programs introduced since early 2011.

Convergence in Post-Arab Spring Economic Policy

This convergence in economic policies is noteworthy for a number of reasons. First, it reinforces longstanding arguments about the constraints on economic governance that confront all developing countries, without regard for regime type, in an era in which market-oriented liberalization has become a global norm and political barriers to the expansion of redistributive policies remain high. The continued commitment to market-oriented economic reforms on the part of regimes brought to power by mass uprisings that were, in part, animated by popular anger at the corrupt management of neoliberal development strategies, can be seen as evidence of the power that IFIs wield in their relationships with deeply indebted governments desperate to stave off fiscal collapse and surmount the spiraling downturn in local economies caused by years of political instability. For elected transitional regimes in Egypt and Tunisia, dire economic conditions presented a daunting challenge. Failure to respond adequately to economic crisis endangered the survival of newly-empowered leaders and ruling parties, eroded the "revolutionary legitimacy" of transitional governments, and undermined longer-term prospects for the consolidation of democracy. For authoritarian survivors the political calculus was slightly different but it yielded a similar result. Economic grievances are a catalyst for political mobilization that can rapidly escalate to become an existential threat. Tempering economic discontent and dissipating the drivers of protest require spending money now. Redistribution and a rebalancing of the priority attached to equity versus growth thus become keys to the survival strategy of both transitional and authoritarian regimes.

Yet to the extent that redistributive policies represent an additional drain on already overstretched treasuries, and are viewed by potential investors and lenders as a return to the failed populist development strategies of the past, they diminish the prospects for a return to economic growth, erode the willingness of IFIs to lend, and diminish the confidence of foreign investors. In both transitional and authoritarian regimes, the resulting strategies of economic governance are similar: an initial shift toward redistribution is followed by the resumption, grudging in some cases, of economic liberalization programs aimed at reassuring IFIs and international investors that Arab governments accept the imperatives of market-oriented economic reforms. Even if transitional regimes initially celebrated the reappearance of mass politics, they, like their authoritarian counterparts, moved quickly to contain political mobilization and limit the effects of politics from below. This should come as no surprise. Almost 30 years ago, O'Donnell and Schmitter, in their seminal work, *Transitions from Authoritarian Rule*, noted the incentives that lead political parties during transitional periods to "show themselves to be not only, or not so much, agents of mobilization as instruments of social and political control". This was certainly the case for the Freedom and Justice Party in Egypt, and even more so for the current regime of President Sisi.[12]
Second, convergence serves as a useful reminder of the "normalization" of Arab political economies, and the extent to which the pressures they confront have come to resemble those that are shaping public debates over economic governance in virtually every region of the world. In reigniting struggles over the trade-offs between equity and growth, giving new political weight to critiques of economic liberalization, and opening up possibilities for the revitalization of social welfare and redistributive economic policies, the Arab Spring stands out as an especially powerful instance of the anti-austerity protest movements that followed the global financial crisis of 2008.[13] Cairo and Tunis, as well as Amman, Algiers, Manama, and Sana'a, differ from Athens, Madrid, Lisbon, and New York only in the scale and intensity of social protests sparked by a global backlash against growing inequality, economic marginalization, and economic insecurity.
The convergence we see at the regional level is thus an indicator of more encompassing processes at work on a global scale, with important implications for debates about regime type, variation in regime survival strategies, and authoritarian resilience. Such processes help to explain why the divergence in economic policies between elected transitional regimes and authoritarian survivors is smaller than might be expected. By creating incentives and constraints that affect survival

12. Guillermo O'Donnell and Philippe C. Schmitter, *Transitions from Authoritarian Rule: Tentative Conclusions about Uncertain Democracies*, Washington, Johns Hopkins University Press, 1986, p. 58.
13. UNESCWA, "Towards a New Welfare Mix: Rethinking the Roles of the State, Market, and Civil Society in the Provision of Basic Social Services", Beirut, 19-20 December 2012 (**http://www.escwa.un.org/information/publications/edit/upload/E_ESCWA_SDD_13_WG-1_Report_E.pdf**).

strategies across regime types, countervailing domestic and international economic pressures have constrained the autonomy of all Middle Eastern governments with respect to economic policy choices. Across regime types, the Arab Spring has caused Middle Eastern governments to calibrate popular demands for economic justice and increased redistribution against countervailing pressures that have steered them back toward a focus on growth and a preference for economic stability over social transformation, despite the political risks this entails.

Third, while international pressures have contributed to convergence in economic policy, powerful domestic factors have also played an important role. Across the region, mass protests placed ruling coalitions under stress, threatening the economic and political interests of those who benefited most under authoritarianism. In every case, this included crony capitalists and their political sponsors, the broader networks of business actors who depend on regime patronage to protect their economic privileges, and, in the Egyptian case in particular, the senior officers who control the military's economic interests. Yet other than in Libya, in every case in which an authoritarian incumbent was ousted, the Arab Spring did little to disrupt embedded interests: across the region, "winners" have survived the mass uprisings of 2011.

The reasons for this are straightforward: the Arab Spring is not (or is not yet) the transformational moment that many hoped it would become. With the exception of Libya, every instance in which an incumbent was overthrown resulted not from systemic authoritarian breakdown but from processes of "decapitation" that occurred through the explicit renegotiation of the terms of established ruling bargains, leaving the vast majority of the beneficiaries of the old regime untouched.[14]

These outcomes may not have reflected the preferences of opposition leaders or of the protestors they claimed to represent. Yet given the economic and political conditions under which transitions were negotiated they are not surprising.

Leadership transitions in the Middle East can thus be understood as the product of elite pacts familiar to any reader of the transitology literature. Yet because elite bargaining occurred in the context of regime decapitation rather than regime breakdown, established elites wielded considerable power. Under conditions of economic crisis and intense political mobilization, and with weak, inexperienced, and fragmented oppositions, bargaining was heavily constrained by the need to accommodate the economic interests of potential spoilers, especially in the military and security services, and to provide assurances of economic stability to beneficiaries of the old order as well as the large majorities in the Arab would which had not participated in mass protests.[15]

14. Hazem Kandil, "Why Did the Egyptian Middle Class March to Tahrir Square?", *Mediterranean Politics*, 17 (2), 2012.

15. On the effects of economic crisis on democratization see Stephan Haggard and Robert R. Kaufman, *The Political Economy of Democratic Transitions*, Princeton, Princeton University Press, 1995.

Among the authoritarian regimes that have thus far weathered the protest movements of the Arab Spring – the large majority of cases in the Middle East – the strategic dilemmas confronting regime elites were similar: how to manage competing economic interests to preserve the underlying stability of the system. The challenge has been to preserve the cohesion of existing ruling coalitions while using social policy to mitigate popular economic grievances. In these cases, as well, the response of authoritarian regimes was not to abandon the mixed economic strategies they have pursued since the late 1980s, but to make modest adjustments in existing policies to reduce their negative distributive effects, expand the boundaries of economic inclusion – at least temporarily – and shore up the legitimacy of regimes.

These initial bargains may not endure, either in transitional regimes or in authoritarian survivors. Their fragility is highlighted by the Egyptian and Yemeni experiences. In both cases, initial bargains have collapsed under pressure from two distinct sources: elite defection, on the one hand, and mobilized social groups, on the other hand, angered by how little their "revolutions" had changed the status quo. In both cases, moreover, the rapid failure of post-authoritarian pacts has generated intense debates about the persistence of the "deep state", and equally intense suspicion of collaboration between authoritarian power centers in the military and intelligence apparatus and disaffected elements among the supporters of ousted autocrats.[16] In Jordan, Tunisia, and Morocco, regimes have also faced persistent discontent with the limited measures they have taken to address economic grievances.

Despite their mixed track record, the emergent ruling bargains in the Arab world nonetheless point to the endurance of authoritarianism's institutional and social legacies, the continuities that have constrained processes of democratic transformation, and the capacity of authoritarian survivors to adapt economic policies under conditions of economic and social stress to preserve their hold on power. Indeed, attention to the social and institutional origins of the Arab Spring is critical for an adequate understanding of how the legacies of earlier phases of Arab state building – periods in which redistributive social pacts became consolidated – shaped decision making in both transitional regimes and authoritarian survivors in 2011 and beyond.[17]

The unraveling of the institutional and policy frameworks that constituted these social pacts by Arab leaders beginning in the late 1980s crystallized in the late

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16. Yezid Sayigh, "Above the State: The Officer's Republic in Egypt", Carnegie Papers: Middle East, Washington, DC: The Carnegie Endowment, August 2012 (**http://carnegieendowment.org/files/officers_republic1.pdf**); Issandr El Amrani, "Sightings of the Egyptian Deep State", *Middle East Information and Research Project*, January 1, 2012, (**http://www.merip.org/mero/mero010112**); Daniel Brumberg and Hesham Sallam, "The Politics of Security Sector Reform in Egypt", *Special Report* No. 318, Washington, DC, US Institute of Peace, October 2012.

17. Steven Heydemann, "Social Pacts and the Persistence of Authoritarianism in the Middle East", in *Debating Arab Authoritarianism: Dynamics and Durability in Non-Democratic Regimes*, Oliver Schlumberger (ed.), Stanford, Stanford University Press, p. 21-38.

2000s as a major source of political vulnerability.[18] By the 2000s, authoritarian regimes could no longer credibly claim to be the defenders of the redistributive commitments of their predecessors. Yet economic liberalization – managed with an eye toward the political benefits it could deliver for regimes – had not led to sufficient improvements in well being, employment, or economic opportunity to serve as an alternative source of legitimacy. For both transitional regimes and authoritarian survivors, these conditions framed the policy dilemmas that are evident in the patterns of economic governance that have begun to take shape post-2011. To remain politically viable regimes had to re-balance strategies of economic governance in response to mass protests.[19] This had to be done while simultaneously responding to the demands of IFIs and investors who were themselves sympathetic to the concerns of protesters about economic insecurity, corruption and cronyism,[20] but nonetheless sought assurances, often under the rubric of "inclusive development" or "growth-oriented reform" that economic governance would not privilege redistribution over markets.[21] Attempts by Arab governments to balance these two sets of pressures have produced strategies of economic governance which, as noted above, exhibit only modest departures from the hybrid models that were common across the region prior to 2011. They reflect compromises that may be inadequate to address either popular expectations concerning the role of the state as a provider of economic security or the expectations of IFIs and investors concerning commitments to growth-oriented reforms.[22]

Memories of Economic Justice and the Return of Redistribution

In the decade that preceded the Arab uprisings of 2011, economic liberalization, while partial and selective, opened new space for private sector actors to operate alongside, though often still in the shadow of, inefficient public sectors that nonetheless remained the largest employers in most Arab Mediterranean countries.[23] Economic reforms fostered deeper integration of Arab economies into global

18. Fadhel Kaboub, "The Making of the Tunisian Revolution", *Middle East Development Journal*, 5 (1), 2013. See also Ishac Diwan, "Introduction: The Political and Economic Transformations in the Arab World", *Middle East Development Journal*, 5 (1), 2013.
19. Ishac Diwan, "Understanding Revolution in the Middle East: The Role of the Middle Class", *Middle East Development Journal*, 5 (1), 2013, p. 19.
20. See Joana Silva, Victoria Levin, and Matteo Morgandi, *Inclusion and Resilience: The Way Forward for Social Safety Nets in the Middle East and North Africa*, Washington, World Bank, September 2012 (**https://openknowledge.worldbank.org/bitstream/handle/10986/12261/NonAsciiFileName0.pdf?sequence=**).
21. See International Monetary Fund, *Regional Economic Outlook: Middle East and Central Asia*, November 2012, Washington: IMF, 2012, (**http://www.imf.org/external/pubs/ft/reo/2012/mcd/eng/pdf/mreo1112.pdf**). See also UNESCWA, "Report of the High-Level Meeting on Reform and Transitions to Democracy", Beirut January 15-16, 2012, Beirut, ESCWA, 2012.
22. Joana Silva, Victoria Levin, Matteo Morgandi, and Cynthia English, "MENA Residents Put Onus on Government to Help the Poor", Gallup.com, November 27, 2012 (**http://www.gallup.com/poll/158906/mena-residents-put-onus-government-help-poor.aspx**).
23. The World Bank, *Unlocking the Employment Potential of the Middle East and North Africa: Toward a New Social Contract*, Washington, 2004.

markets, even though integration remained low in comparative perspective. Trade agreements proliferated and foreign investment expanded. In turn, these links and the economic flows they helped to generate affected the structure and composition of production, benefiting sectors such as textiles and agricultural exports, tourism, services, and finance, while diminishing the importance of others, including local manufacturing and industrial sectors.

These changes transformed the political economies of the region, disrupting patterns of state-society relations that had become deeply consolidated through post-independence processes of state building, and destabilizing the economic security of the region's most vulnerable social groups. They also modified the distribution of economic and political influence, creating new winners and losers, including among the elite patronage networks and clientelist frameworks that organize significant domains of economic activity.[24] Labor market reforms in several Arab countries (notably Egypt, Tunisia, Jordan, Algeria, and Morocco) placed longstanding corporatist relations between organized labor and the state under pressure, giving new priority to private sectors, both as drivers of economic growth and as potential arenas within which to expand collective bargaining rights for workers.[25]

Even as demographic growth slowed in the Middle East, however, the employment gap in the region remained the largest in the world. In 2004, the World Bank estimated that the Arab countries would need to create some 100 million new jobs by 2020 to satisfy employment demand. Between 2003-2007, before the onset of energy and commodity price inflation in 2008, the economies of the Arab region grew rapidly. Job creation exceeded expectations.[26] Yet even high levels of GDP growth during these years did not resolve the issues of rising unemployment, underemployment, and the flow of labor into the informal sector, where workers have almost no access to the benefits of social policy. By 2011, the exclusion of informal workers from access to social welfare had become systemic. These trends in job creation, and the persistence of a very large employment gap in the context of rising commodity prices and cuts in public spending, played a critical role in setting the stage for the Arab Spring and in shaping how Arab governments, both elected transitional governments and authoritarian survivors, responded to the systemic economic dysfunctions that fueled it.

These pre-Arab Spring reforms did more than just impose limited and selective processes of economic liberalization. Despite the persistence of populist rhetoric among Arab leaders, and despite patterns of public expenditure that continued

24. See Melanie C. Cammett, *Globalization and Business Politics in Arab North Africa: A Comparative Perspective*, New York, Cambridge University Press, 2007.

25. Myriam Catusse, "The Economic Sector in Morocco", in Laura Guazzone and Daniela Pioppi (eds), *The Arab State and Neo-Liberal Globalisation: The Re-structuring of State Power in the Middle East*, London, Ithaca Press, 2009.

26. The World Bank, *Middle East and North Africa Region, 2007. Economic Developments and Prospects: Job Creation in an Era of High Growth*, Washington, 2008.

to devote large shares of GDP to social welfare (whether directly or indirectly), economic reforms raised critical questions about the commitment of Arab regimes to the redistributive and welfare-oriented frameworks of economic governance that had taken shape in the post-independence, post-colonial era. They posed a direct challenge to widely-shared conceptions of state authority and norms of economic security, as well as to the redistributive bases of state legitimacy that had defined state-society relations for almost five decades in much of the Arab world. Moreover, these processes acquired particular political salience, at least in part, because of the power of the collective memory among citizens about the capacity of states to effect social and economic change – a legacy of the successes of populist-redistributive economic strategies of the 1950s-1980s in improving social indicators across the board in the Arab world – and of the appropriate role of the state in the economy as a provider of economic security and distributive justice.[27] Throughout the 2000s, popular memories of distributive justice emerged as a powerful source of collective action among labor, the urban poor, and the middle class, even in contexts in which political mobilization was tightly controlled by authoritarian regimes. Protests organized by workers and urban poor in Egypt from 2007-2010 – like earlier episodes of mass mobilization in Egypt in 1977 – represented more than the spontaneous flaring up of public anger over rising food and fuel costs. They were an appeal to regimes to honor obligations anchored in this enduring collective memory of the state as a provider of economic security and social protection. [28] The adoption by some Arab regimes, including pre-revolution Syria, of terms such as the "social market economy" to characterize economic development strategies – even if the underlying policies were quite remote from the reality of a social market – underscore their awareness of this obligation and the constraints it imposed on their capacity to shift Arab political economies decisively toward market-based models of economic governance. In this way, economic governance post-2011 bears the imprint of earlier struggles between redistribution and growth.

Distributive Justice in the Wake of the Arab Spring

As mass protests swept across the region in early 2011, governments, without regard for regime type, deployed a wide range of strategies to mitigate the economic grievances of protesters, blunt protest movements, and shore up regime legitimacy. These included expanding subsidy programs, job creation schemes, investment in large-scale development projects to boost employment, increasing wages for

27. Steven Heydemann, "Social Pacts and the Persistence of Authoritarianism in the Middle East," in *Debating Arab Authoritarianism: Dynamics and Durability in Non-Democratic Regimes*, Oliver Schlumberger (ed.), Stanford, Stanford University Press, p. 21-38.
28. Joel Benin, *Justice for All: The Struggle for Worker Rights in Egypt*, A Report of the Solidarity Center, Washington, DC: Solidarity Center, 2010.

public sector employees, direct cash transfers, reshuffling economic portfolios in governments to signal a concern for popular economic grievances, and, among the non-oil exporting governments in transition, appeals to the oil-exporting, capital-surplus regimes in the Arab Gulf for investment capital and loans.

In Algeria, for example, where the ruling military quickly suppressed an incipient protest movement, the government acted as early as February 2011 to increase subsidies on basic foodstuffs such as sugar and cooking oil, and indicated its intent to fund a $286 billion development program. In embattled Bahrain, with a population of just over 1.3 million, the ruling Al Khalifa family combined economic incentives with punitive measures targeting those participating in mass protests. In early 2011, the Al Khalifa pledged over $100 million in direct assistance to families most affected by rising commodity prices, and implemented a cash-transfer program that provided 1,000 Bahraini Dinar (about $2,700) to every family. The Gulf Cooperation Council, of which Bahrain is a member, pledged $20 billion toward a ten-year development plan targeting Bahrain and Oman. In Saudi Arabia, the government announced in February 2011 that it was allocating $37 billion for new public spending programs. This was followed in March of the same year by an additional commitment of $93 billion in welfare spending, housing construction, and employment creation, including some 60,000 new jobs in the Ministry of Interior which is responsible for internal security. Kuwait and the United Arab Emirates also used cash transfers and public spending programs to temper economic grievances and prevent the kind of mass protests then sweeping the region.

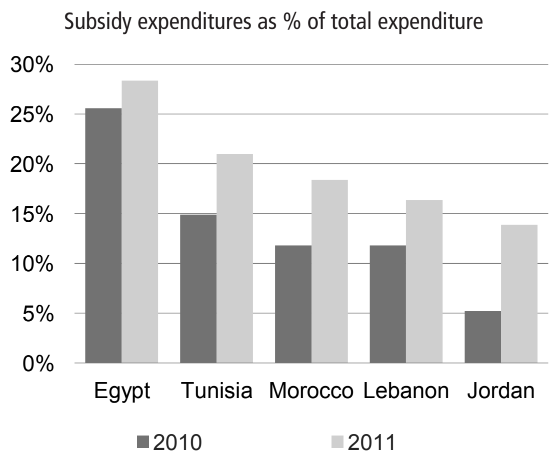
In Egypt and Tunisia, where newly-elected Islamist parties had for decades expressed positions in support of social and economic justice, governments pursued similar strategies. In Egypt, planned subsidy reductions were suspended, support for food and fuel subsidies was increased, public expenditures on social provision expanded: housing, healthcare and education spending increased by 39 percent, 17 percent and 9 percent, respectively.[29] Civil servants were given a 15 percent salary increase. Only weeks after his election in June 2012, President Morsi made his first official trip outside of Egypt, traveling to Saudi Arabia to request financial support. His visit resulted in an agreement to increase Saudi investment in Egypt by $27 billion. In Tunisia, government spending increased overall by almost eight percent between 2010 and 2012, the largest overall growth in public expenditure in the Middle East.[30] From 2010-2011, government spending on food and other subsidies increased by 68 percent. Jordan and Morocco,

29. OECD, "Socio-Economic Context and Impact of the 2011 Events in the Middle East and North Africa Region", MENA-OECD Investment Programme, December 2011 (**http://www.oecd.org/mena/investment/49171115.pdf**).

30. Deutsche Bank Research, "Two years of Arab Spring: Where Are We Now? What's Next?", January 25, 2013 (**http://www.dbresearch.com/PROD/DBR_INTERNET_EN-PROD/PROD0000000000300328/Two+years+of+Arab+Spring%3A+Where+are+we+now%3F+What%E2%80%99s+next%3F.pdf**).

two authoritarian monarchies seen as most vulnerable to the Arab Spring, also amplified public spending significantly. In Morocco, subsidy expenditures almost doubled from 3.6 percent to 6.1 percent of GDP. Jordan's subsidy bill rose by a staggering 200 percent in 2011, as the Hashemite Monarchy increased its funding for subsidies on basic commodities and fuel, and increased public sector salaries. Both countries were also invited to apply for membership in the GCC, a patently political effort by the Gulf monarchies to bolster their counterparts however far removed they might be from the shores of the Gulf.

Subsidy Increases, 2010-2011[31]



Sources: National Authorities, DB Research

Even as regimes propped up subsidy and social welfare systems, however, they also responded to domestic and international concerns about a populist turn among the governments brought to power on a wave of economic discontent – and, for Europe in particular, about the possibility that unrest in the southern Mediterranean would drive new waves of migrants into the European Union.[32] The uprisings of 2011 led both transitional regimes and authoritarian survivors to seek emergency financial support from Western governments, the European Union, Gulf monarchies, and international financial institutions, including the IMF (Egypt, Jordan, Morocco) and the World Bank (Tunisia). In May 2011, G-8 governments with support from the European Union and the IMF/World Bank established the Deauville Partnership as a mechanism for coordinating international support for Arab Countries in Transition (ACT): Egypt, Jordan, Libya,

31. *Ibid.*, p. 10. Reprinted with permission.
32. Speech by Cecilia Malmström, European Commissioner for Home Affairs, on "Responding to the Arab Spring and Rising Populism: The Challenges of Building a European Migration and Asylum Policy", Harvard University, Minda de Gunzburg Center for European Studies, April 30, 2012.

Morocco, Tunisia, and Yemen.[33] The initiative later established the Deauville Partnership Middle East and North Africa Transition Fund, which aimed to secure financing of $250 million to support economic measures that member states viewed as consistent with sound economic governance and the strengthening of democratic institutions.[34]

By early 2012, the rapid deterioration of economic conditions combined with pressure from international donors led virtually every ACT government to offset enhanced redistributive programs with steps to reduce government spending, bring down fiscal deficits, and improve the investment climate for both local and foreign investors. In August 2012, the IMF announced the approval of a "precautionary and liquidity line"[35] for Morocco of $6.2 billion and a 36-month Stand-By Agreement (SBA) with Jordan of $2 billion. These decisions were predicated on proposals from the governments of Morocco and Jordan to undertake (or continue) economic policies consistent with IMF guidelines stressing "socially acceptable fiscal consolidation" through subsidy adjustments as well as tax and fiscal policy reforms.[36] By the end of the year, Morocco and Jordan, together with Tunisia, had cautiously reduced food and fuel subsidies, sparking renewed protests. In spring 2013, in response to commitments from the Tunisian government that it would act to reduce deficits, cut subsidies from 4.7 billion to 4.2 billion dinars – largely through further cuts to fuel subsidies – and undertake tax and fiscal policy reforms, the IMF announced that it had reached a "staff-level" agreement on a $1.78 billion SBA for Tunisia. Announcement of the reforms required to secure the emergency loan provoked "widespread public anger" and sparked a renewed round of protests and strikes across the country.[37]

In Egypt, the Morsi government's retreat from redistribution was slower and more uneven. In the months following the removal of Hosni Mubarak from power, the IMF approached the leadership of the Supreme Council of the Armed Forces (SCAF) to initiate negotiations over an emergency SBA. The head of the SCAF, Field Marshal Mohamed Hussein Tantawi, rejected these overtures, "reportedly because he was hesitant to burden Egypt with what he considered was too much foreign debt and perhaps believing that Egypt could receive short-term loans or

33. See U.S. Department of State, "The Deauville Partnership with Arab Countries in Transition of the Meeting on Policies for Small and Medium-Sized Enterprises", November 8, 2012 (**http://www.state.gov/r/pa/prs/ps/2012/11/200330.htm**).

34. See "Overview", Middle East and North Africa Transition Fund (**http://www.menatransitionfund.org/content/overview**).

35. The precautionary liquidity line is a new financial instrument of the IMF intended to assist governments with sound economic fundamentals respond to short-term economic vulnerabilities. The Moroccan PLL of August 2012 represented the first use of this new financial instrument.

36. International Monetary Fund, "Transcript of a Conference Call on Jordan's Stand-By Arrangement, Morocco's Precautionary and Liquidity Line and the IMF's Engagement in the Middle East and North Africa", Washington, D.C., Friday, August 3, 2012 (**http://www.imf.org/external/np/tr/2012/tr080312.htm**).

37. Reuters, "Tunisia Protests to Test Subsidy Reforms, May Hit IMF Loan", March 13, 2013 (**http://www.reuters.com/article/2013/03/13/tunisia-subsidies-idUSL6N0C20H420130313**).

grants from Gulf Arab countries instead".[38] In late November 2012, the Egyptian government proposed a reform package to the IMF that included energy subsidy reforms, tax increases, deficit reductions, and increases in redistributive programs specifically targeting the poor, such as food subsidies. Despite the Morsi government's claims that it would manage the economy to "achieve the intended targets of the January 25, 2011 revolution" with respect to economic security and citizen dignity, the plan bore a striking resemblance to the economic policies of the Mubarak era.[39] As of May 2013, Egypt had still not agreed to IMF conditions for securing access to a $4.8b SBA that had been under negotiation for more than a year.[40] Popular resistance to President Morsi's centralization of power, the Muslim Brotherhood's declining popularity, and the shadow of upcoming parliamentary elections led the Egyptian government to postpone a decision that his successor, President Sisi, has also navigated with considerable caution. Through the summer of 2013, on the eve Sisi's coup, negotiations with the IMF continued and the Egyptian government persisted in resisting reductions in social spending, even as it proposed a package of reforms designed to increase state revenues, reduce fuel subsidies, and strengthen overall economic governance in a bid to reassure foreign investors.[41]

Conclusion: From Liberalization to Redistribution and Back Again

The Arab Spring is not over. Its full effects may not be felt for years. Yet within its brief history, the reversal of redistribution and a return to economic liberalization is a useful lens through which to assess contending claims about the resilience of authoritarian regimes in the Middle East. This shift, evident in transitional regimes and authoritarian survivors alike, highlights the constraining effects of both global markets and of authoritarian legacies – legacies that include not only popular memories of distributive justice that continue to drive citizens into the streets, but also the deeply institutionalized accommodations among authoritarian elites that have thus far narrowed the possibilities for political and economic change in transitional regimes.

38. Rebecca M. Nelson and Jeremy M. Sharp, "Egypt and the IMF: Overview and Issues for Congress", Congressional Research Service, April 29, 2013, p. 5. See also Shana Marshall and Joshua Stacher, "Egypt's Generals and Transnational Capital", *Middle East Report* 42 (266), Spring 2012 (**http://www.merip.org/mer/mer262/egypts-generals-transnational-capital**). In the event, Egypt has received billions of dollars in financial assistance from the Gulf, with Qatar providing a majority of the funding, as well as from Libya.

39. Government of Egypt, Ministry of Finance, "Budget Circular of the Fiscal Year 2013/2014" (**http://www.mof.gov.eg/MOFGallerySource/English/PDF/Circular2013-2014.pdf**). See also Mohsin Khan, "Egypt's Economic Plan: Something Old, Something New", *EgyptSource*, Rafik Hariri Center for the Middle East, Atlantic Council, November 30, 2012 (**http://www.acus.org/egyptsource/egypt%E2%80%99s-economic-plan-something-old-something-new**).

40. Alexandre Goudineau, "IMF and Egypt: No News is More of the Same", *Egypt Independent*, April 22, 2013 (**http://www.egyptindependent.com/news/imf-and-egypt-no-news-more-same**).

41. Al-Ahram Online, "Egypt govt announces economic reform measures to clinch IMF loan", February 25, 2013 (**http://english.ahram.org.eg/NewsContent/3/12/65602/Business/Economy/Egypt-govt-announces-economic-reform-measures-to-c.aspx**).

Within these constraints, the rise and reversal of redistributive policies underscores the shared logics of regime survival that have shaped the economic policy responses of Arab governments confronted with the revival of mass politics. It illustrates their shared capacity to adapt economic policies in response to new challenges, not least the tension between markets and economic justice as a driver of mass mobilization. Indeed, the legacies of the Arab Spring are almost certain to include a sharpening of that tension, a shift in the balance of power between citizens and regimes in defining the limits of liberalization and the appropriate role of the state as a provider of economic security. Issues of economic justice have returned to the political agenda of the Arab world, and regime survival will require all Arab leaders to adapt how they respond to ongoing demands for distributive justice, economic inclusion, and accountability.
What this article has shown, however, is that there is little basis for concluding that authoritarian survivors will be any less capable of meeting these challenges than the elected government in Tunisia – the only post-Arab Spring country to remain in transition. Indeed, as we have seen in the Egyptian case, the pressures of balancing markets and economic justice, of managing the intense economic grievances that have sustained high levels of popular mobilization across the region, may well drive transitional regimes to emulate their authoritarian predecessors.

This is not an argument about the permanence of authoritarianism in the Arab world. Though often misread by its critics, the literature on authoritarian persistence and resilience never argued that the Middle East was doomed to a future of permanent authoritarian rule. Rather, it sought to explain how it was possible for a cluster of authoritarian regimes to survive for so long, despite the presence of virtually all of the factors that have been used to explain the breakdown of authoritarianism in other world regions. One of the most important arguments to emerge from this literature highlighted how regimes that appeared to be insular, rigid, and unyielding in their grip on power were in fact more dynamic, adaptable, and capable of adjusting their tactics than might have been evident at first glance. ■

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