

The State, Development, and Persistent Authoritarianism

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Abstract

This thesis helps explain persistent authoritarianism in Egypt and the Middle East. It does so with two arguments: one about development and another about the state. As economic reform ended Arab socialism, members of the private sector found their economic interests in collusion with the authoritarian state. The character of this state-sponsored development trajectory maintained business support for authoritarian persistence. Egypt implemented a slow reform process that ruptured the Nasserite populist-authoritarian social contract but built new business support for the regime. In so doing, it abandoned the popular sector and fractured state-society relations. Zones of informality developed, with civil society stepping in to provide services. This associational vigour has a perverse effect on political engagement. State-society rupture feeds depoliticization and apathy, helping people survive while contributing to regime stability. Comparative perspective from Thailand, Ghana and Zambia supports these conclusions.

Sommaire

Cette thèse contribue à l'explication de l'autoritarisme égyptien et moyen-oriental. Elle avance deux arguments : un sur le développement, et un sur l'État. Quand la libéralisation économique mit terme au socialisme arabe, les membres du secteur privé réalisèrent leurs intérêts économiques en collusion avec l'État autoritaire. Ce trajet de développement étatique maintint le soutien du patronat à l'autoritarisme persistant. L'Égypte exécuta un programme de libéralisation lente qui fractura le contrat social populiste-autoritaire nassériste tout en créant une nouvelle base d'appui pour le régime. De cette façon, elle abandonna le secteur populaire et fractura les relations étatiques-sociales. Des zones d'informalité se développèrent, et la société civile intervint pour fournir des services. Cette vigueur associationnelle a un effet pervers sur l'engagement politique. La rupture étatique-sociale nourrit la dépoliticisation et l'apathie, aidant la survie du peuple tout en stabilisant le régime. Les expériences de la Thaïlande, le Ghana, et la Zambie soutiennent ces conclusions.

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I. In the twilight of the third wave

[Post-independence Arab regimes] succeeded in gaining the trust and support of large sectors of the population, which saw in such regimes the stuff of emancipation and liberation. Their authoritarianism was almost hidden by their popularity.

-Burhan Ghalioun, "The Persistence of Arab Authoritarianism"¹

You talk about politics? Who cares? Feed me.

-Sharif Shenawi, Cairo²

In the walled garden of French social science and *études moyen-orientales*, one finds a quietly treasured disconnection from *anglo-saxon* scholarship – with the exception of a few globally renowned Left Bank professors³ – and a penchant for sometimes frustrating, sometimes illuminating aphorisms on the state of Arab societies. Burhan Ghalioun's comment on the regimes of Gamal Abdel Nasser and his radical republican ilk is a case in point. Surely the Mediterranean businesspeople fleeing the Alexandria of the 1950s, their companies nationalized and livelihoods destroyed, might decline to endorse Ghalioun's sweeping talk of mass adulation. Yet broadly, the glee of popular

¹ Burhan Ghalioun, "The Persistence of Arab Authoritarianism," *Journal of Democracy* 15, no. 4 (2004): 126-27. Translated from the French.

² Quoted in Michael Slackman, "As Egypt Votes on Laws, Cynicism Rules the Street," *New York Times*, March 26 2007.

³ See for example Gilles Kepel, *The Roots of Radical Islam* (London: Saqi, 2005), Gilles Kepel, *The War for Muslim Minds: Islam and the West* (Cambridge, MA: Belknap Press, 2004), Olivier Roy, *Globalised Islam. The Search for a New Ummah* (London: Hurst, 2004), Philippe Droz-Vincent, *Moyen-Orient: Pouvoirs Autoritaires, Sociétés Bloquées* (Paris: Presses Universitaires de France, 2005).

revolution and Arab socialism swept Egypt and its revolutionary Arab homologues into a time of hope. Following Ghalioun, one might read subsequent events as a series of bitter disillusionments with this period, the expectations it fostered, and the unrealized goals it set. Putting it rather baldly, he finds that Nasser's successors "serve only the interests of the clans who hold power, they communicate in no way whatsoever with their citizenries, and they depend for their survival solely upon coercion and multiple security services."⁴

This image of tough, autonomous leaders ruling society with an iron will is a Coles Notes' explanation for Arab authoritarianism. Perhaps, given the strikingly long tenures of its Hosni Mubaraks and Muammar Qaddafis, the Arab world's exceptional persistence of non-democratic rule could appear self-evident: rulers rule their citizens, impose order, and engineer social stability through a mix of cunning, smart governance and strategic patronage. There is something deeply unsatisfying, however, about an account of regime resilience that relies entirely on raw intelligence. The world has seen no shortage of cunning dictators – not to mention ruthless ones – and yet somehow, the much-heralded "third wave of democratization"⁵ devastated paragons of iron-fisted rule from Chile to Brazil, and Portugal to South Korea. But the Mubaraks and Qaddafis of the world have not followed its Salazars and Pinochets to obscurity. The third wave has foundered on Middle Eastern shoals.

⁴ Ghalioun, "The Persistence of Arab Authoritarianism," 127.

⁵ Samuel Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Norman: University of Oklahoma Press, 1991).

Even as Ghalioun relies too heavily on sheer force in his account of authoritarian persistence, the contrast he draws between post-independence excitement and subsequent disillusionment limns the central preoccupation of *anglo-saxon* work on the Middle East. It may be cliché – not to mention vaguely Orientalist – to ask “what went wrong”⁶ in this part of the world, but this is exactly what Anglo-American scholars have wrestled with in the postwar period. Charles Issawi helped begin this tradition with a classic understatement, noting in 1956 that “the parliamentary-democratic form of government has not functioned satisfactorily in the Middle East.”⁷ For Michael Hudson, Arab regimes suffered from a chronic legitimacy deficit; his dire words warned of impending implosion, but the region’s plucky *dirigeants* managed to muddle through nevertheless.⁸ In a rare case of Middle East area scholarship informing theory development in the broader discipline, work on the rentier state tied stability to external rent revenue,⁹ and the “paradox of plenty”¹⁰ explanation for creeping oil-state decline

⁶ This has become synonymous with culturalist explanations in the vein of Bernard Lewis, *What Went Wrong? The Clash between Islam and Modernity* (New York: Harper Perennial, 2003).

⁷ Charles Issawi, "Economic and Social Foundations of Democracy in the Middle East," *International Affairs (Royal Insitute of International Affairs)* 32, no. 1 (1956): 27.

⁸ Michael Hudson, *Arab Politics: The Search for Legitimacy* (New Haven: Yale University Press, 1977).

⁹ Hazem Beblawi and Giacomo Luciani, eds., *The Rentier State* (London: Croom Helm, 1987).

¹⁰ Terry Lynn Karl, *The Paradox of Plenty: Oil Booms and Petro-States* (Berkeley: University of California Press, 1997). See also Kiren Aziz Chaudhry, *The Price of Wealth: Economies and Institutions in the Middle East* (Ithaca: Cornell University Press, 1997).

became canon. No taxation equaled no representation.¹¹ This is a cursory treatment of several large literatures, but it can be safely said that they all identify pathologies in Middle Eastern politics and economics that help explain the region's exceptionalism.

In the 1990s and beyond, the pendulum swung towards optimism and back again to pessimism. Faced with economic crisis, Middle Eastern regimes began tentative liberalizations.¹² As these experiments with "multipartyism" failed to bring a wider democratic transformation, scholars drew a crucial distinction between liberalization and democratization. Leaders could be mocked jocularly at a café or perhaps in a taxi, but certainly not removed at the ballot box.¹³ Other scholars turned to civil society as Arab democracy's saviour;¹⁴ while continued authoritarianism has sullied their optimism, this fresh interest in social actors has

¹¹ This twist on the revolutionary hurrah is a useful heuristic image of politics in rentier states, where leaders use the distributional politics of patronage to buy off – or more accurately, “rent” – political quiescence. In practice it can be a hard-to-attain ideal type, as many “rentier” or “semi-rentier” states do indeed tax their citizens. On that caveat, see John Waterbury, “From Social Contracts to Extraction Contracts,” in *Islam, Democracy, and the State in North Africa*, ed. John Entelis (Bloomington: Indiana University Press, 1997).

¹² The first major volume on this change was Ghassan Salamé, ed., *Democracy without Democrats: The Renewal of Politics in the Muslim World* (London: I.B. Tauris, 1994).

¹³ Rex Brynen, Bahgat Korany, and Paul Noble, eds., *Political Liberalization and Democratization in the Arab World: Theoretical Perspectives*, vol. 1 (Boulder: Lynne Rienner, 1995), Rex Brynen, Bahgat Korany, and Paul Noble, eds., *Political Liberalization and Democratization in the Arab World: Comparative Experiences*, vol. 2 (Boulder: Lynne Rienner, 1995).

¹⁴ Augustus Richard Norton, ed., *Civil Society in the Middle East*, vol. 1 (Leiden: E.J. Brill, 1995), Augustus Richard Norton, ed., *Civil Society in the Middle East*, vol. 2 (Leiden: E.J. Brill, 1995).

endured. As hopes for democratization waned, Eva Bellin initiated an influential, theoretically robust turn to class analysis of persistent authoritarianism.¹⁵ Though her choice of words was different, the “stalled democracy” she found in Tunisia and other countries with a history of state-sponsored development catalyzed a flurry of writing on authoritarianism as an outcome in itself. The paradoxes inherent in late-late development led to a particular constellation of interests in which labour and capital acquiesced in continued authoritarianism.¹⁶ Arabists transitioned from the forecasting of still-non-existent democratization to the study of settled authoritarian outcomes.¹⁷

Why, then, has Middle Eastern authoritarianism endured? In what follows, I fill in part of the causal relationship behind it. My theoretical explanation proceeds with two inter-linked arguments: one about development and one about the state. Taking Bellin’s pivotal work as my starting point, I use empirical investigation of development and democracy in Egypt to link private sector

¹⁵ Eva Bellin, *Stalled Democracy: Capital, Labor and the Paradox of State-Sponsored Development* (Ithaca: Cornell University Press, 2002), Eva Bellin, "Contingent Democrats: Industrialists, Labor, and Democratization in Late-Developing Countries," *World Politics* 52 (2000).

¹⁶ Bellin’s conclusions on capital and labour challenge the existing literature. For the classic argument linking the bourgeoisie to democracy under certain circumstances, see Barrington Moore, *Social Origins of Democracy and Dictatorship: Lord and Peasant in the Making of the Modern World* (Boston: Beacon Press, 1966). For an argument linking labour to democratization, see Dietrich Rueschemeyer, Evelyn Huber Stephens, and John D. Stephens, eds., *Capitalist Development and Democracy* (Chicago: University of Chicago Press, 1992).

¹⁷ Lisa Anderson, "Searching Where the Light Shines: Studying Democratization in the Middle East," *Annual Review of Political Science* 9 (2006), Steven Heydemann, "La Question De La Démocratie Dans Les Travaux Sur Le Monde Arabe," *Critique internationale* 17 (2002).

expansion and continued authoritarianism. Drawing on the Egyptian case, I raise a first-order challenge to the “Washington Consensus” on the positive link between economic and political reform. Egypt’s trajectory of state-directed development and its thirty long, slow years of regime-managed economic opening tightened patronage links between businessman and bureaucrat. Far from challenging the Egyptian regime, the private sector has acquiesced in its continued stability. They are contingent democrats, to be sure, but it is the lead role of state officials in guiding reform that is most central in making business preferences converge on regime favour. In moving away from pure class analysis and avoiding generalizations about classes’ political orientations, I respond to recent critiques of Bellin and remain truer to the Egyptian empirics.¹⁸

Where my first argument challenges the orthodox position on development and democracy, my second joins a revitalized second wave of statism in political science that has re-focused attention on state-society relations while analyzing zones of informality on the political and economic margins. Over twenty years after Theda Skocpol – to indulge in another cliché – “brought the state back in,”¹⁹ scholars working on the developing world have rediscovered

¹⁸ Angrist finds that “class analysis is handicapped as a general, solo approach to regime formation and regime type.” See Michele Penner Angrist, *Party Building in the Modern Middle East* (Seattle: University of Washington Press, 2006), 10.

¹⁹ Theda Skocpol, “Bringing the State Back In: Strategies of Analysis in Current Research,” in *Bringing the State Back In*, ed. Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol (Cambridge: Cambridge University Press, 1985).

state-society relations as a key to the quality of democracy.²⁰ Here, I extend this trend to the study of persistent authoritarianism. To be sure, state-directed development created a business titan-bureaucrat nexus that plays a large part in cementing authoritarianism. However, an account of rulers, cronies and the patronage that lubricates their lives sheds little light on everyday politics in a nation of seventy-eight million people.

This second argument pivots on two glaringly obvious but analytically tricky Egyptian realities: state-society rupture and widespread political apathy. In the era of economic reform, the regime's shift from the agrarian support base of Arab Socialism to its new friends in the liberalizing business community left ordinary citizens out in the cold. Relying on recent research into informal markets and disengagement from formal institutions in Egypt, I argue that the regime's decision to rupture the Nasserite social contract had profound de-politicizing consequences.²¹ As a growing segment of the population retreats from dependence on the state, their apathetic position vis-à-vis formal institutions makes Egyptian political life increasingly stale and increases the rulers' autonomy. This strain of state-society relations is central to regime durability.

²⁰ Michael Bratton, "State-Building and Democratization in Sub-Saharan Africa: Forwards, Backwards, or Together?," *Afrobarometer Working Papers*, no. 43 (2004), <http://www.afrobarometer.org/AfropaperNo43.pdf>.

²¹ This literature is considered below; one recent example is Julia Elyachar, *Markets of Dispossession: Ngos, Economic Development, and the State in Cairo* (Durham: Duke University Press, 2005).

Structure of the argument and methodology

My exposition proceeds in two main segments: a theoretical synthesis of the existing literature and empirical explorations of case studies.

To begin, I consider the related literatures that inform my analysis and formulate a critical synthesis of the state of the art. First, I examine the links between development and democracy, tracing the discipline's quantitative and qualitative approaches to the subject. I make a methodological and meta-theoretical case for comparative-historical study of economic reform and regime type. Second, I turn to Middle East area scholarship on reform and the persistence of authoritarianism. I consider the theoretical perspectives on Middle Eastern economic and political reform with reference to the recent history of those processes, demonstrating a turn to interest in the private sector's role and the transformation of older populist sources of regime stability. Third, I consider state-society relations and depoliticization. Integrating new work – especially from Africanists – on informality,²² I endorse Huntington's trenchant point on the primacy of the state as an explanatory tool and explore how ruptured state-society relations dovetail with persistent authoritarianism.

For the bulk of my empirical study, I present a close account of regime persistence strategies, economic reform, and informality in Egypt. Four roughly distinct phases are considered: first, populist mobilization and agrarian support

²² For example, Janet Roitman, *Fiscal Disobedience: An Anthropology of Economic Regulation in Central Africa* (Princeton: Princeton University Press, 2005), Victor Azarya and Naomi Chazan, "Disengagement from the State in Africa: Reflections on the Experience of Ghana and Guinea," *Comparative Studies in Society and History* 29, no. 1 (1987).

cultivation under Arab Socialism; second, reorientation of regime favour and patronage to the business community during economic reform; third, the hardening of businessman-bureaucrat cronyism; and fourth, the drastic rupture in state-society relations that has fed apathy, disengagement from formal institutions, and disinterest in anti-regime mass mobilization in recent years.

Finally, to add necessary comparative perspective, I introduce extra-regional case studies that speak to my first argument on development and democracy and my second argument on state-society rupture. First, I contrast the Egyptian and Middle Eastern experience of mutually reinforcing authoritarianism and economic reform with a case of economic growth and democratization. In Thailand, a different trajectory of state-led development helps explain the successful – if occasionally tenuous – confluence of development and democracy, and the contingent orientation of the bourgeoisie toward democracy. Development paths and state-business relations emerge as a crucial independent variable in accounting for regime-type outcomes. The Thai case proves especially powerful in demonstrating the changing alignment of social actors, as the Thai bourgeoisie supported democratic transition in 1993 but threw its support to military coup-makers in 2006. Perceptions of regime corruption – under both democratic and authoritarian rulers – played a large role in determining public support, lending additional support to my argument about state-society relations.

To complete the empirical section, I give treatments of the Zambian and Ghanaian experiences with state-society rupture and informality. In Ghana, an enabling political environment led to the strengthening of civil society in the lean

years of state retrenchment under Jerry Rawlings. In Zambia, however, continued state-society rupture has exacerbated popular disengagement from the state, damaged the quality of democracy and fostered a growing semi-authoritarianism. The range of outcomes on my dependent variable of regime type demonstrates the pivotal role of state-society relations as an independent variable.²³

To conclude, I consider the policy implications of my findings and present avenues for future research on late development, regime stability, and informality in the Middle East and the developing world.

²³ In ensuring variation on the dependent variable of regime type for both my arguments, I follow Gary King, Robert Keohane, and Sidney Verba, *Designing Social Inquiry: Scientific Inference in Qualitative Research* (Princeton: Princeton University Press, 1994).

II. Literature review and theoretical framework

Development and democracy

My argument speaks to a long-running debate on first-order political questions about regime type and regime change. The much-challenged conventional wisdom in the literature holds that increasing levels of economic development bring corresponding increases in political freedom.²⁴ Even if we accept the strength of the quantitative relationship between these variables, there is enormous scope for developing alternative theories that complicate the simple operation of the development-democracy mechanism.

The first step of this critique is the recognition that quantitative work in the field compares *settled outcomes* – regime type and economic development – rather than the *processes* of economic liberalization and political liberalization. The historical *paths* to democracy and the democratic correlates of *already-achieved* economic wealth are analytically distinct phenomena. The establishment view in policy-making circles incorporates a similar misunderstanding. In Whitehead's words, "it is virtually an unexamined assumption that market economics and participatory politics are parallel processes that accompany each other. Capitalism and democracy are seen as two sides of the same coin, united by commitment to individual free choice in both economic and political matters."²⁵

²⁴ The classic quantitative account here is Seymour Martin Lipset, "Some Social Requisites of Democracy: Economic Development and Political Legitimacy," *American Political Science Review* 53, no. 1 (1959).

²⁵ Laurence Whitehead, "Economic Liberalization and the Consolidation of Democracy in Latin America: Mutually Reinforcing or Potentially Conflicting Processes?" (paper presented at the Inter-American Dialogue Workshop on

The coincidence of development and democracy in the Western world should not imply a similar coincidence in the paths to those outcomes.

A second refinement of the conventional wisdom highlights the *simultaneity* of economic and political reform that it implies. The cross-sectional snapshot perspective of the quantitative literature freezes development and democracy at a particular moment in time. Its methodological choices grant greater generalizability at the cost of time-series analysis of the processes at hand. Methodologically, these shortcomings support a turn to complementary comparative-historical analysis that traces the interactive relationship between economic and political reform as they proceed in tandem. This study embraces the methodological trade-off at hand, choosing close analysis of several cases in order to draw empirically grounded, challenging conclusions despite their more limited theoretical implications. The goal is to refine and complicate the quantitative literature and its broad-stroke macrostructural perspective on development and democracy, not to replace it wholesale.²⁶

Despite these caveats, there are common meta-theoretical concerns that ground both the quantitative and qualitative work on these questions. At the most basic level, quantitative work on development and democracy relies on

Political and Economic Liberalization, 1990), 1. Quoted in Thomas M. Callaghy, "Political Passions and Economic Interests: Economic Reform and Political Structure in Africa," in *Hemmed In: Responses to Africa's Economic Decline*, ed. Thomas M. Callaghy and John Ravenhill (New York: Columbia University Press, 1993), 464.

²⁶ The quantitative development-democracy literature that Lipset began is vast; for a detailed review and an endorsement of complementary comparative-historical research on this question, see Rueschemeyer, Stephens, and Stephens, eds., *Capitalist Development and Democracy*.

structuralist meta-theory; that is, it reflects a concern with the environmental, contextual conditions that determine or constrain outcomes. Its currency is the macro-structural characteristics of society that populate the developmental and democratic variables under examination. While the precise indicators and their operationalizations differ from study to study, this literature seeks to link developmental indicators like gross national product to indices of political freedom.

On the whole, the correlation between these variables has proved very robust. Seymour Lipset presented a rudimentary numerical analysis of development and democracy, finding a strong connection and inspiring an array of more sophisticated statistical analyses that have largely confirmed his results.²⁷ While some scholars qualified his conclusions, suggesting that development correlated more strongly with democratic consolidation than with actual transition,²⁸ others rehabilitated the emblematic “modernization thesis” with a sharper operationalization of democracy and more advanced statistical techniques.²⁹ All of this work rests on the common meta-theoretical assumption that the structural imperatives of development are behind democratic outcomes.

One critique of the quantitative approach is familiar: its preoccupation with models and regression coefficients ignores the real stuff of politics. Closer

²⁷ Lipset, "Some Social Requisites of Democracy: Economic Development and Political Legitimacy."

²⁸ Adam Przeworski and Fernando Limongi, "Modernization: Theories and Facts," *World Politics* 49, no. 2 (1997).

²⁹ David Epstein et al., "Democratic Transitions," *American Journal of Political Science* 50, no. 3 (2006).

attention to its meta-theoretical underpinnings, however, reveals the potential in this shortcoming for a broader methodological synthesis, or at the least, grudging quantitative-qualitative cooperation.

The structuralist meta-theory implicit in the quantitative literature underpins a parallel tradition of comparative-historical analysis on regime origins. Barrington Moore tied structure to divergent paths of regime development, relying on constellations of class alliances to explain democracy and dictatorship. Famously, he linked middle-class ascendancy to democracy in the English case: “no bourgeoisie, no democracy.”³⁰ While Moore confined this connection to a particular historical trajectory, his muscular assertion of class configuration as an explanation for democratization recalls Lipset’s interest in the democratic tendencies of middle classes. In Lipset’s analysis, the middle class emerges as a mediating force, “able to reward moderate and democratic parties and penalize extremist groups.”³¹ Early quantitative *and* qualitative work, then, shared a structural emphasis on the role of social forces in shaping regime outcomes.

Attention to the logical origins of these arguments, however, divides the scholars’ methodological approaches and grounds the case for the comparative advantage of each one. In Lipset’s work and the studies it inspired, there is no organic logical relationship between statistical finding and causal argument. While modernization is certainly behind the creation of new social formations like the middle class, a robust statistical correlation between modernization and

³⁰ Moore, *Social Origins of Democracy and Dictatorship*, 418.

³¹ Lipset, “Some Social Requisites of Democracy: Economic Development and Political Legitimacy,” 83.

democracy offers no direct lessons on the particular causal mechanisms acting on outcomes. Modernization might trigger democratizing chains of causation most of the time, but Lipset's argument that middle classes are central in this process gains no special legitimacy from his data. As Dietrich Rueschemeyer et al. argue, explanations in the quantitative literature on development and democracy are "pure conjecture."³² It is in this deficiency that the value of comparative work like Moore's is revealed. While "quantitative findings are compatible with a wide range of explanatory accounts,"³³ theory in comparative-historical analysis can grow organically from close case studies. Causal mechanisms linking the macro-structural variables of development to regime outcomes can be unearthed and substantiated.

Comparative-historical work on development and democracy can integrate the insights of the quantitative literature even as it presents a disaggregated picture of modernization where particular social forces have decidedly ambiguous attitudes to democratization. While the modernization thesis holds in large-N statistical analysis, qualitative literature can highlight the contingency of class interests in democracy. Crucially, this approach relies on structuralist meta-theory and remains compatible with the macro-structural emphases of the quantitative literature.

On the role of classes in democratization, a recent set of qualitative findings link *working* class mobilization to democracy, finding their interest in

³² Rueschemeyer, Stephens, and Stephens, eds., *Capitalist Development and Democracy*, 29.

³³ Ibid.

democratization more reliable than that of the middle class.³⁴ Nevertheless, the importance of the middle class survives: “since the working class nowhere was strong enough to push through democracy alone, the middle classes assumed a pivotal role in the development of democracy.”³⁵ Modernization created an array of subordinate classes, but their role in regime change varied across cases. The need to identify exactly how and why this occurs in different contexts makes qualitative comparative-historical analysis indispensable to the scholar of development and democracy.

A comparative-historical approach, furthermore, is better able to address the reversibility of democratic transition. Such analysis need not follow Huntington’s concern that each “wave” of democratization can crest and dissolve into authoritarian relapse,³⁶ but it captures the pattern of regime instability in the developing world with more accuracy. Qualitative methods like process tracing³⁷ can give close accounts of the causal chains behind transitional events like popular mobilization and military coups. In cases like Thailand where regime type oscillates between semi-democracy and authoritarian relapse, this kind of analysis

³⁴ Ibid, Ruth Berins Collier, *Paths toward Democracy: The Working Class and Elites in Western Europe and South America* (Baltimore: Johns Hopkins University Press, 1999), Ruth Berins Collier and David Collier, *Shaping the Political Arena: Critical Junctures, the Labor Movement, and Regime Dynamics in Latin America* (Princeton: Princeton University Press, 1991).

³⁵ Rueschemeyer, Stephens, and Stephens, eds., *Capitalist Development and Democracy*, 272.

³⁶ Huntington, *The Third Wave*.

³⁷ Andrew Bennett and Colin Elman, "Qualitative Research: Recent Developments in Case Study Methods," *Annual Review of Political Science* 9 (2006).

can account for variation that tends to be overlooked by the broad macro-structural correlations in quantitative work and the conjecture of statistically grounded arguments. Nevertheless, integrating the macro-structural power of the quantitative literature with qualitative methodology's capacity for close analysis makes for a strong, structural theoretical framework. In this way, the macro-structural conditions of development can be linked to regime outcomes with clear causal mechanisms, and the impediments that complicate the modernization thesis in individual cases can be detailed.

Endorsing the meta-theoretical emphasis on structure in the comparative-historical literature on class configurations and democracy and in the quantitative literature on modernization entails an important critique of voluntarist work on democratic transitions. Guillermo O'Donnell and Philippe Schmitter responded to the "third wave" of democratization in Latin America and Southern Europe with a meta-theoretical turn from structure to agency, finding in democratization an indeterminacy that "normal social science" was ill-equipped to address.³⁸ They saw a high degree of uncertainty in their set of cases, finding that "short-term political calculations" of elites and the various factions in military regimes were key in explaining transition.³⁹ Democratic transition could not be linked to the mobilization of specific classes across cases, and structural forces in general were discounted as explanatory factors. With political life undergoing rapid change, the

³⁸ Guillermo O'Donnell and Philippe Schmitter, *Transitions from Authoritarian Rule: Tentative Conclusions About Uncertain Democracies* (Baltimore: Johns Hopkins University Press, 1986), 4.

³⁹ *Ibid.*, 5.

authors sought to move beyond the structural focus of quantitative work on modernization and similarly structural work in their own comparative-historical tradition.

However, upon examination of additional cases, the uncertainty that led O'Donnell and Schmitter away from structural analysis emerges as an important source of variation. Valerie Bunce found variable levels of uncertainty in post-communist transitions to democracy. Histories of mass mobilization, civilian control of the military, and nationalist activity gave leaders in some post-communist cases the confidence to make a clean break with the past.⁴⁰ In other countries, mirroring events in O'Donnell and Schmitter's "Southern" cases, the absence of these structural legacies increased the level of uncertainty and promoted "bridging" transitions, where leaders moved more cautiously and sought careful accommodation with the old guard. The voluntarist interest in the political calculations of elites, then, can be incorporated into deeper structural constraints. Structural legacies make for different levels of uncertainty in transition, shaping the choices available to elites. Bunce's rehabilitation of structuralist meta-theory in the study of democratic transition confirms the value of "normal social science" and the importance of identifying structural conditions for regime outcomes. While this literature focuses on the process of democratization over persistent authoritarianism per se, the lessons it holds for macro-structural analysis of regime type outcomes are deeply relevant to the present study.

⁴⁰ Valerie Bunce, "Rethinking Recent Democratization: Lessons from the Postcommunist Experience," *World Politics* 55, no. 2 (2003): 178.

Even as I take my methodological and meta-theoretical cues from broader disciplinary work on these questions, the conditions of late-late development make for special theoretical considerations. Taking this spotty record of twin economic and political liberalization in the developing world as my starting point, I rely heavily on a growing literature that critiques the traditional modernization thesis on development and democracy as it is applied to third-world reform processes. Nevertheless, the overwhelming focus here is on structural determinants of regime outcomes, mirroring the broader disciplinary turn sketched out above.

I follow Eva Bellin in rejecting the tendency to read political orientation from class configurations across time and space, and instead turning to structural and conjunctural factors to explain those orientations.⁴¹ Drawing on the Tunisian case, she finds that classes never align permanently in favour of or in opposition to political reform. In her treatment of middle class attitudes to democratization, Bellin finds that bourgeois are “contingent democrats.” In particular, it is histories of state-sponsored development that can spur business-government collusion and maintain middle class support for authoritarianism even after economic reform has begun. From Bellin’s critique, I draw the importance of making political liberalization and economic liberalization analytically separate. Economic development may create and then strengthen independently powerful sectors of society, but these new social forces are at best diffident democrats. When continued prosperity for the bourgeoisie lies in friendly relations with regime

⁴¹ Bellin, *Stalled Democracy*.

heavyweights and privileged access to markets, licences, and contracts, diffidence becomes eager support for persistent authoritarianism.

Bellin's work on Tunisia is the most developed treatment of "stalled democracy," but she has counterparts across the area clusters of comparative politics. Catherine Boone et al. come to compatible conclusions about business development and democracy in Senegal. Analyzing the increased prominence and business association activity of the informal sphere after government retrenchment from the economy, they see business interests fighting for particular reforms that benefit *their activities* while remaining taciturn on broader political reform.⁴² This analysis mirrors Bellin's logic, finding a de-linkage of economic and political reform.

Another major current in the literature, with special application to cases of halting late development, is a preoccupation with the so-called "partial reform syndrome".⁴³ While important economic reforms have occurred in the Middle East and across the developing world – incurring undeniable hardships in the restructuring of bloated public sectors and the shock therapy of macroeconomic stabilization – the presence of neo-patrimonial, corrupt governance continues to

⁴² Catherine Boone, Momar-Coumba Diop, and Ibrahima Thioub, "Economic Liberalization in Senegal: Shifting Politics of Indigenous Business Interests," *African Studies Review* 41, no. 2 (1998).

⁴³ Steven Heydemann, "Networks of Privilege: Rethinking the Politics of Economic Reform in the Middle East," in *Networks of Privilege in the Middle East: The Politics of Economic Reform Revisited*, ed. Steven Heydemann (New York: Palgrave Macmillan, 2004), Michael Bratton and Nicolas Van de Walle, *Democratic Experiments in Africa: Regime Transitions in Comparative Perspective* (Cambridge: Cambridge University Press, 1997), Nicolas Van de Walle, *African Economies and the Politics of Permanent Crisis, 1979-1999* (Cambridge: Cambridge University Press, 2001).

gum up the reform process. When reform threatens regime stability, governments attempt to slow its application; this is most infamously the case in Africa, where many regimes balked at the “medicine” of international financial institutions and lost loans rather than risking popular support to comply with tough conditionality. In Egypt and the Middle East, leaders slowed the reform process to a crawl with the support of foreign donors eager to keep friendly regimes in power and maintain regional stability.

Acknowledging the “partial reform” outcome has important implications for the theoretical value of this study: because economic reform has not been completely implemented, any conclusions about its impact on political reform are in some sense premature. Certainly, research of this type – and on the range of other Third World cases that exemplify “partial reform” – can play only a limited challenge function with regard to the dominant literature on development and democracy as settled outcomes.

It remains deeply relevant, however, to the theoretical treatment of economic and political reform as interactive processes. Even if economic reform is stalled or slow moving, useful conclusions should be drawn from its last twenty years of implementation.⁴⁴ Furthermore, if we remain uncertain about the prospects for further reform and lack a reasonable timeline for that process, a defeatist view of the partial reform syndrome could stall research on the Third World development-democracy connection almost interminably. This research

⁴⁴ This is the conclusion reached in Heydemann, "Networks of Privilege," 3.

accepts the challenges that come with studying a process in continual (if frustratingly slow) motion.

Liberalization and Middle East authoritarianism

The Middle East studies community followed the discipline's development-democracy debate with interest and not a little consternation. There was a familiar sense of being left behind, of missing out on a wave of theoretical innovation that simply could not cope with the regional empirics at hand. It is hardly surprising, then, that scholars of the region jumped to analyze the modest reform developments that did come to pass in the late 1980s and early 1990s.

Indeed, the disciplinary preoccupation with development and democracy helped spawn a large and influential literature on the effects of economic liberalization in the Middle East. Writing in 1993, David Pool emphasized the undiminished size of Middle Eastern public sectors and the continuing ability of governments to "utilize resource distribution as a vehicle of coalition-building." In other words, the populist pattern of resource distribution endured alongside the *infitah* economic experiment and continued to sustain a mass coalition. Regimes continued to use strategic patronage to rent clients' loyalty. Because "a great deal of employment" remained "governmental" and "many of the resources which [flowed] into the rural sector" came from the state, patronage resources could continue to be an effective source of regime stability and stave off political

liberalization.⁴⁵ In the meantime, the influx of joint venture capital spurred limited economic success and kept the beleaguered public sector afloat. In Egypt, American aid after peace with Israel helped balance the government's books.

Daniel Brumberg's widely read work on Middle Eastern economic reforms as "survival strategies" makes a broadly similar argument. Faced with fiscal crisis brought on by the twilight of import-substitution industrialization, states opened their economies to foreign capital and private sector activity. However, as Brumberg takes great pains to add, none of these "strategies" were viable if they threatened the established, populist pillars of regime support. While "limited stabilization or austerity measures," "selective trade reforms," and joint venture activity were acceptable, economic liberalization could not include "drastic cuts in government subsidies or privatization by either gradual or rapid means." Quite on the contrary, if reform was to be compatible with regime stability, it would have to leave "public sector industries completely or largely intact."⁴⁶ In Brumberg's memorable phrase, regimes tried to "play the transition game while minimizing or even precluding the possibility of losing."⁴⁷ The likelihood of "losing" arose from a regime's inability to use the structures of populist authoritarianism to stay afloat.

⁴⁵ David Pool, "The Links between Economic and Political Liberalization," in *Economic and Political Liberalization in the Middle East*, ed. Tim Niblock and Emma Murphy (London: British Academic Press, 1993), 52.

⁴⁶ Daniel Brumberg, "Authoritarian Legacies and Reform Strategies in the Arab World," in *Political Liberalization and Democratization in the Arab World: Theoretical Perspectives*, ed. Rex Brynen, Bahgat Korany, and Paul Noble (Boulder: Lynne Rienner, 1995), 236.

⁴⁷ *Ibid.*, 235.

These theories are consistent with the pre-1991 experience of economic liberalization in Egypt. While the regime extracted much-needed economic dividends from limited collaboration with domestic and foreign capital, it did not engage in significant privatization. As Brumberg notes, however, limited reform failed to create the “market incentives that promote production.” Economic survival strategies, while buying time, tend to aggravate the underlying causes of economic instability. Most importantly, they leave loss-making public enterprises intact; while profits from joint venture activity keep the public sector afloat in the short term, they cannot outweigh broader inefficiency in the long run. Eventually, regimes are left with a difficult alternative: full structural adjustment and the end of populist-authoritarian patronage distribution. Brumberg argues that such a change will be complemented by a “political adjustment” designed to “mobilize supporters of economic reform and isolate opponents.”⁴⁸ In other words, regimes must modify the makeup of their popular coalitions and shift their hegemony to new foundations.

Insightful as it is, Brumberg’s work declines to spell out the particular mechanisms whereby “supporters” of reform – presumably the upper-class business community – are transformed from convenient sources of capital in a system that retains populist vestiges to the primary source of regime support in a post-populist new era.

Until recently, scholarly work on Egypt has given a rather murky treatment of these dynamics. Eberhard Kienle makes a brief reference to the

⁴⁸ Ibid., 237.

state's regulatory role in the economy in his dense study of Egypt, but declines to make a causal argument connecting it to his twin themes of "democracy" and "economic reform."⁴⁹ Writing in 2000, Raymond Hinnebusch recognizes that "the post-populist phase has meant increasing inequality throughout the Middle East," but gives only a partial account of state-business relations in this period. His focus is on business elites' desire to maintain the high inequality that produced their wealth, and on their fear of Islamist movements.⁵⁰ Elsewhere, he makes the valid point that the institutionalization of collusive state-business relations is the primary obstacle to increased investment and economic growth in Egypt. Since key regulatory decisions depend on the discretion of policy-makers, not on an institutionalized body of business law, "clientele networks favouring those with personal connections to the top are more effective routes to influence than formal political institutions and processes."⁵¹ Importantly for this study, he limits his argument to issues of economic development and does not consider the implications of business politics for authoritarian stability.

Following Bellin's connection of state sponsorship and democratic diffidence, this study posits that the type of economic liberalization undertaken in Egypt – easily summarized as "privatization without regulatory reform" –

⁴⁹ Eberhard Kienle, *A Grand Delusion: Democracy and Economic Reform in Egypt* (London: I.B. Tauris, 2001), 194.

⁵⁰ Raymond A. Hinnebusch, "Liberalization without Democratization In "Post-Populist" Authoritarian States," in *Citizenship and the State in the Middle East: Approaches and Applications*, ed. Nils A. Butenschon, Uri Davis, and Manuel Hassassian (Syracuse: Syracuse University Press, 2000), 134-36, 39-43.

⁵¹ ———, "Conclusion," in *Egypt in the Twenty-First Century: Challenges for Development*, ed. M. Riad El-Ghonemy (London: RoutledgeCurzon, 2003), 222.

reinforces the private sector's pro-authoritarian orientation. This contention directly challenges existing work on patronage politics in the post-populist period. For example, it wholly undermines Emma Murphy's assertion that after economic reform, Middle Eastern regimes lost their "ability to gain legitimacy through distributing patronage."⁵² While the specific content of government patronage has changed to encompass regulatory favours to new partners in the private sector, it still fulfills a vital coalition-sustaining function for the regime.

In 2000, Asya El Meehy published a rare study of the regulatory and institutional climate for capitalists in Egypt. In considering the effects of Egyptian economic liberalization, she concludes that:

... economic liberalization has shifted the boundaries to expand private sector participation in Egypt yet, in the absence of institutional reform, the kind of system it fostered has served to augment the profits of well-connected big businesses while disadvantaging the majority of the business sector.⁵³

El Meehy focuses on selected aspects of institutional reform, most importantly the enforcement of contracts, respect for property rights, efficient tax administration, and accessible courts.⁵⁴ While her dependent variable is economic reform, not regime change or stability, her study has important implications for the present research. El Meehy finds that "institutional arrangements reflect the *constellation*

⁵² Emma C. Murphy, "Legitimacy and Economic Reform in the Arab World," *Journal of North African Studies* 3, no. 3 (1998): 80. For a similar argument heralding the twilight of the corporatist, patronage-distributing Middle Eastern state, see Anoushiravan Ehteshami and Emma C. Murphy, "Transformation of the Corporatist State in the Middle East," *Third World Quarterly* 17, no. 4 (1996).

⁵³ Asya El-Meehy, "State, Private Industry and Economic Liberalization in Egypt" (McGill University, 2000), 59.

⁵⁴ *Ibid.*, 57-64.

of power and privileges held by organized groups in society.”⁵⁵ Because the Egyptian economic system “has served to augment the profits of well-connected big businesses,”⁵⁶ members of the bourgeois class have an interest in its continued stability and the corresponding persistence of the political order it rests on. Her conclusion notes that “economic reforms introduced a new variant of *étatisme* rather than opening space for civil society”; although the development of this insight is beyond the scope of her study, it corresponds closely to the argument of the present research.

Predictably, however, the gap between El Meehy’s understanding of economic liberalization and a fully elaborated account of persistent authoritarianism is large. A key component of patronage-based systems is competition: state elites favour different clients at different times, encouraging inter-client competition and allowing state leaders to remain above the fray.⁵⁷ Additionally, El Meehy’s study leaves out a crucial area of the regulatory environment: state favouritism in the acceptance of privatization bids and granting of permission to enter important markets. Like the inefficient bureaucratic mechanisms for guaranteeing property rights and contract enforcement, this kind

⁵⁵ Ibid., 58. Emphasis is mine.

⁵⁶ Ibid., 59.

⁵⁷ A useful example is the proliferation of security services and military divisions in the authoritarian Middle East. Saddam Hussein famously barred all military wings but his hand-picked Republican Guards from Baghdad in order to ward off coups. Furthermore, each wing thought that one of its rivals possessed Iraq’s much-vaunted “weapons of mass destruction,” but in truth, none of them possessed such weapons. This climate of fear and competition is an essential means of control in neopatrimonial systems.

of patronage leads private sector business leaders to locate their interests in cordial relations with the regime. Yet, uncovering these patronage networks is unusually challenging. El Meehy recognizes this difficulty in her final remarks, noting that further work on these dynamics is “arguably essential to the study of the local bourgeoisie and their relationship to the state in Egypt.”⁵⁸ This kind of research requires connections, painstaking fieldwork, and an eye for the informal networks of power; rare is the international financial institution report that includes even a coded reference to the murky relationships between economic actors in neopatrimonial systems. The empirical work presented here mines the available evidence on these issues, while recognizing the inherent limitations stemming from a lack of original fieldwork.

Nevertheless, a recent wave of scholarly work on Egypt has begun to flesh out these mechanisms, detailing the persistence of patronage politics in the context of economic reform. The premier volume in this literature, Steven Heydemann’s edited collection *Networks of Privilege*, begins with the unusually direct assertion that “economic reform and the pursuit of rents go hand in hand.” While his comments on the “intent of [state] reformers to reduce or eliminate rent seeking... and to increase transparency and accountability” might seem rather naïve to students of Middle Eastern persistent authoritarianism, Heydemann’s revised view of economic reform remains instructive.⁵⁹ The case studies in his volume, three of which focus on Egypt, bring valuable empirical evidence to bear

⁵⁸ El-Meehy, "State, Private Industry and Economic Liberalization in Egypt", 90.

⁵⁹ Heydemann, "Networks of Privilege," 2.

on current debates in the politics of economic reform. Their fresh evidence supports the positive – if contingent – causal relationship between economic reform such as it has occurred and the persistence of authoritarianism. Stephen King echoes these conclusions in his close study of Tunisia, finding the same link between the Middle Eastern flavor of state-directed liberalization – a trend he sees in Tunisia and across the region – and persistent authoritarianism.⁶⁰

In the last few years, Middle East scholars have complemented Heydemann's focus on the economic realities of authoritarianism with clear-eyed analyses of authoritarian political realities. This reflects a move away from attempting to forecast democratic transition – an analytical luxury better suited to regions and cases where it actually occurred – towards accounting for stable authoritarian outcomes in the region.⁶¹ Importantly, this can be read as an indirect yet more effective path to that earlier “transitions” literature's goals: intuitively, it is worth studying the conditions that keep a system in place in order to understand how it might change in the future.⁶²

In recent years, a veritable flood of scholarly contributions has sought to clarify pieces of a causal relationship that is positively Weberian in its

⁶⁰ Stephen J. King, *Liberalization against Democracy: The Local Politics of Economic Reform in Tunisia* (Bloomington: Indiana University Press, 2003).

⁶¹ For a critique of the preceding “transitology” approach to forecasting transition, see Heydemann, “La Question De La Démocratie Dans Les Travaux Sur Le Monde Arabe.”

⁶² Anderson, “Searching Where the Light Shines: Studying Democratization in the Middle East.”

complexity.⁶³ Inter-linked clusters of research have emerged: one group of scholars revisits the classic questions of coercion, elite politics, and crisis management within regimes;⁶⁴ another looks at opposition challenges to dominant parties and the origins of party systems.⁶⁵ Re-assessing an early line of research from the 1990s literature on liberalization and democratization,⁶⁶ scholars have taken a more skeptical view of civil society and its prospects for democratic activism under heavy state regulation.⁶⁷ The consensus view has settled on a mild

⁶³ For an initial, slightly dated review, see Marsha Pripstein Posusney, "The Middle East's Democracy Deficit in Comparative Perspective," in *Authoritarianism in the Middle East: Regimes and Resistance*, ed. Marsha Pripstein Posusney and Michele Penner Angrist (Boulder: Lynne Rienner, 2005). The essay, and the edited book it introduces, appeared initially in a special 2004 issue of *Comparative Politics* on Arab authoritarianism. A recent survey text is Nicola Pratt, *Democracy and Authoritarianism in the Arab World* (Boulder: Lynne Rienner, 2007).

⁶⁴ Jason Brownlee, "Political Crisis and Restabilization: Iraq, Libya, Syria, and Tunisia," in *Authoritarianism in the Middle East: Regimes and Resistance*, ed. Marsha Pripstein Posusney and Michele Penner Angrist (Boulder: Lynne Rienner, 2005), Eva Bellin, "Coercive Institutions and Coercive Leaders," in *Authoritarianism in the Middle East: Regimes and Resistance*, ed. Marsha Pripstein Posusney and Michele Penner Angrist (Boulder: Lynne Rienner, 2005), Ellen Lust-Okar, *Structuring Conflict in the Arab World* (Cambridge: Cambridge University Press, 2005).

⁶⁵ Angrist, *Party Building in the Modern Middle East*.

⁶⁶ The initial optimism about civil society's democratizing potential is best exemplified in Norton, ed., *Civil Society in the Middle East*. Also see Mustapha Kamel al-Sayyid, "The Concept of Civil Society and the Arab World," in *Political Liberalization and Democratization in the Arab World: Theoretical Perspectives*, ed. Rex Brynen, Bahgat Korany, and Paul Noble (Boulder: Lynne Rienner, 1995).

⁶⁷ Amaney A. Jamal, *Barriers to Democracy: The Other Side of Social Capital in Palestine and the Arab World* (Princeton: Princeton University Press, 2007), Vickie Langohr, "Too Much Civil Society, Too Little Politics? Egypt and Other Liberalizing Arab Regimes," in *Authoritarianism in the Middle East: Regimes and Resistance*, ed. Marsha Pripstein Posusney and Michele Penner Angrist (Boulder: Lynne Rienner, 2005).

rejection of the Washington consensus, and the notion that Arab “reforms” tend to be authoritarian survival strategies is widely endorsed.⁶⁸ Thankfully, a long-time tendency to conflate the Arab “democracy gap” with purportedly anti-democratic tendencies in Islam has been largely rejected and can be safely ignored.⁶⁹

Of special relevance to this study is the literature’s fresh interest in business politics, state-society relations, and the changing nature of regime support. Raymond Hinnebusch, in a 2006 review essay, finds a fresh source of strength in “the incorporation of previously hostile privileged social forces” into regime coalitions.⁷⁰ Certainly, Arab regimes’ warming ties with their private sectors supplied a needed base of support after state retrenchment broke the populist social contract. Yet, Hinnebusch’s theoretical take on informality at society’s margins is brief. With regard to the populations that economic reform and regime re-orientation to corporate connections left out in the cold, he states simply that bourgeois incorporation “also strengthens the ability of rulers to marginalize (elite statist or mass populist) opposition.”⁷¹ The specific form of this marginalization is left unclear, although Hinnebusch mentions that the political

⁶⁸ Maye Kassem, ““Democratization” Reforms as a Means of Stabilizing Authoritarian Rule in Contemporary Egypt,” in *Democratization and Development: New Political Strategies for the Middle East*, ed. Dietrich Jung (New York: Palgrave Macmillan, 2006).

⁶⁹ Alfred Stepan and Graeme B. Robertson, “An “Arab” More Than “Muslim” Electoral Gap,” *Journal of Democracy* 14, no. 3 (2003).

⁷⁰ Raymond A. Hinnebusch, “Authoritarian Persistence, Democratization Theory and the Middle East: An Overview and Critique,” *Democratization* 13, no. 3 (2006): 385.

⁷¹ Ibid.

incorporation of Islamist movements – which play a large part in the informal sector – is hard to reconcile with a new businessman-bureaucrat nexus that ignores the popular sector.

What remains clear is that the place of these marginal populations, while clearly central to regime stability, is under-theorized. The literature on persistent authoritarianism remains curiously silent on the form of state-society relations in which regime stability is embedded.⁷²

Informality and state-society relations

In the study of the developing world, two preoccupations emerge repeatedly as anecdotes but far less frequently as analytical tools: apathy and informality. One frequently encounters populations that are disconnected from centres of power, and that eke out a living – despite all expectations to the contrary – using a murky mix of side jobs, local patronage, and the occasional bribe. The knowledge that power and connections do not mimic organizational charts is indispensable advice for living in much of the developing world, and the same is true for studying it. To be sure, scholarship on these issues has supplied some valuable analytical perspectives; Mahmood Mamdani's classic theory of the "bifurcated state" traces the Janus-faced bureaucracies in Africa to colonial-era

⁷² It should be noted, however, that this literature is grounded in some fine historical sociology of Middle Eastern state *formation*; see especially Lisa Anderson, "The State in the Middle East and North Africa," *Comparative Politics* 20, no. 1 (1987), Lisa Anderson, *The State and Social Transformation in Tunisia and Libya, 1830-1980* (Princeton: Princeton University Press, 1986). For a famous application to gender equality, see Mounira Charrad, *States and Women's Rights: The Making of Postcolonial Tunisia, Algeria, and Morocco* (Berkeley: University of California Press, 2001).

differentiation between privileged urban zones and peripheral, disfavoured areas *en province*.⁷³ Other Africanists have made trenchant contributions to this literature, with Goran Hyden offering the “economy of affection” as a key to local, unregulated ways of getting by.⁷⁴ More recently, Janet Roitman analyzed *la population flottante* in Central Africa, finding unregulated spaces that central bureaucracy reads as “ghost towns.”⁷⁵

We know, to sample this literature’s vast choice of adjectives, that informal spaces include people who are submerged, separated, floating, disconnected, disengaged, or live in unregulated zones away from the state. Hinnebusch’s brief take on the abandoned popular sector implies its deliberate “marginalization” by state actors; what the wider literature on informality shows is that state action is a poor lens for unregulated activity. In fact, mechanisms exist for survival on the margins that make deliberate state “marginalization” a moot point, and that have created a compartmentalized strain of state-society relations in the Middle East that hinges on depoliticization.

Writing in 1999, Lisa Wedeen broke with the traditional focus on the “legitimacy” of authoritarian regimes and developed instead a theory of *compliance*. Tentative political liberalization in her case, Syria, and across the region reveals more than ever the yawning gap between formal obedience to the

⁷³ Mahmood Mamdani, *Citizen and Subject: Contemporary Africa and the Legacy of Late Colonialism* (Princeton: Princeton University Press, 1996).

⁷⁴ See chapter 5 of Goran Hyden, *African Politics in Comparative Perspective* (Cambridge: Cambridge University Press, 2006).

⁷⁵ Roitman, *Fiscal Disobedience*.

state and merciless regime mocking in private. Authoritarian persistence rests not on individuals' belief in regime legitimacy, but on their daily performance of compliance with formal rules and dissimulating adulation for their rulers.

This approaches a more convincing micro-level account of regime support, but the reality on the margins is farther still from traditional notions of legitimacy. In conditions of extreme state-society rupture, sullen compliance dissolves into utterly depoliticized apathy. Whether regime support is authentic or feigned becomes irrelevant; regime support *itself* becomes a near-foreign concept for citizens who see little or none of the state in their daily lives. James Ferguson makes a memorable spatial reassessment of sovereignty in such cases, locating its densest concentration in clusters of natural resource wealth central to continued regime survival and finding its hinterland heft decidedly thin.⁷⁶ This is a useful metaphor for the relative weight of regime interests across different sectors of society. For the popular sector, state presence becomes much less tangible.

Analysis of state-society rupture after economic reform and state retrenchment, then, requires a certain departure from the never-ending debate on the explanatory importance of states, societies, and their relative embeddedness in or autonomy from each other. We know well that Middle Eastern states and many of their third world counterparts are infrastructurally weak – if fierce in a purely coercive sense⁷⁷ – and face strong societies.⁷⁸ But in cases of depoliticization, this

⁷⁶ James Ferguson, *Global Shadows: Africa in the Neoliberal World Order* (Durham: Duke University Press, 2006).

⁷⁷ Nazih N. Ayubi, *Over-Stating the Arab State: Politics and Society in the Middle East* (London: I.B. Tauris, 1995).

literature's omnipresent assumption that strong societies are out to "capture" or manipulate the state and its formal levers of power no longer holds. Wells of social capital and homegrown survival strategies can flourish in unregulated zones.

The mildly paradoxical choice to tear the fundamental state-society opposition out of state-society relations, then, is central to an integrated view of apathy, informality, and the authoritarianism it coexists with and furthers. The *lack* of relations between part of the state and part of society is as analytically significant as their presence elsewhere in the polity. In this respect, the *action* implied in Hinnebusch's picture of popular sector *marginalization* by the Arab state is a red herring. If disengagement can feed growing informality, successful if murky survival strategies, and depoliticization, an authoritarian state can near-*passively* let the process unfold in a compartmentalized, isolated zone of society in which the state is not *rejected*, but simply irrelevant. To be sure, the resulting spatial pattern of state control looks rather patchy. Yet from the standpoint of authoritarian persistence, fragmented sovereignty combined with depoliticization of informal zones is a recipe for stability. The resulting staleness of formal politics is obvious to the interested observer, but of no important consequence to those who look elsewhere for their livelihoods.

Of principal importance, then, are the critical junctures that initiate this kind of state-society rupture and dovetail with authoritarian persistence. In Egypt,

⁷⁸ Joel S. Migdal, *Strong Societies and Weak States: State-Society Relations and State Capabilities in the Third World* (Princeton: Princeton University Press, 1988).

as the following empirical accounts show, these junctures lie in the retrenchment of state service provision and state involvement in society during economic reform. I proceed in turn to exposition of my first argument about development and to my second argument about state-society relations.

III. Economic reform and persistent authoritarianism in Egypt

The Nasserite prelude to reform

Gamal Abdel Nasser was never fond of businessmen. With a few exceptions, like the rare 1950s tycoon Osman Ahmed Osman, business leaders had much to fear from his program of nationalization and revolutionary economic change. At one point, he decided that Egypt had “no other alternative but to liquidate [the bourgeoisie] by arresting all of them and putting them in Wadi al-Jadid,” a desert concentration camp.⁷⁹ Nasser instituted a sweeping nationalization policy, changing the face of the Egyptian economy and giving it a large public sector. Simultaneously, he designed agricultural policies to smash the power of the traditional landed elite. These large landowners, the “backbone of the ancien regime” his 1952 coup had overthrown, held the lion’s share of property in a country where 44 percent of rural families were landless.⁸⁰

Over the next two decades, Nasserist agricultural policy drastically reshaped rural life. By 1977, landholdings of one feddan – roughly equivalent to 0.4 hectares– stood at 1,458,000, a three-fold increase from the 1961 figure.⁸¹ The government imposed land ownership ceilings, renewed tenancy contracts in perpetuity, and created agrarian reform committees to allow the articulation of

⁷⁹ Hamid Ansari, *Egypt: The Stalled Society* (Albany: SUNY Press, 1986), 88.

⁸⁰ Yahya Sadowski, *Political Vegetables? Businessman and Bureaucrat in the Development of Egyptian Agriculture* (Washington, D.C.: Brookings Institution, 1991), 55-56.

⁸¹ Robert Springborg, "Rolling Back Egypt's Agricultural Reform," *Middle East Report* 166 (Sept.-Oct.1990): 28.

peasant interests.⁸² These changes, immensely empowering for the peasants, left the upper classes reeling.

The lower classes enjoyed a commensurate increase in political standing. Agrarian reform committees worked tirelessly in defence of peasants' rights and were a major nuisance for already-weakened large landowners.⁸³ In 1962, Nasser allocated 50 percent of the seats in all Egyptian elected bodies to workers and peasants.⁸⁴ This populist strategy of mass corporatism brought the lower classes into the political fold, mobilizing long-dormant segments of society.

Yet, popular incorporation enhanced state control even as it opened channels for political participation. Nationalization and state-led import substitution industrialization "marginalized the private sector in favour of state investment and made much of the public dependent on the state for employment;" as a result, they were "in no position to demand political rights."⁸⁵ Regime policy supported a tacit social "contract" or "bargain" whereby public support was exchanged for land redistribution, economic security, and – at least until Egypt's disastrous defeat in the 1967 Six-Day War – nationalist and ideological

⁸² ———, "State-Society Relations in Egypt: The Debate over Owner-Tenant Relations," *Middle East Journal* 45, no. 2 (1991): 234.

⁸³ ———, "An Evaluation of the Political System at the End of the Millennium," in *Egypt in the Twenty-First Century: Challenges for Development*, ed. M. Riad El-Ghonemy (London: RoutledgeCurzon, 2003), 196.

⁸⁴ John Waterbury, *Exposed to Innumerable Delusions: Public Enterprise and State Power in Egypt, India, Mexico, and Turkey* (Cambridge: Cambridge University Press, 1993), 191.

⁸⁵ Hinnebusch, "Liberalization without Democratization In "Post-Populist" Authoritarian States," 129.

achievements. As Hinnebusch argues, “populism fostered consumption.” Well-fed and better-propertied lower classes constituted a stable foundation for authoritarian stability in these populist-authoritarian years.

Businessmen and peasants in populist-authoritarian Egypt

Yet, much like its peers in the developing world, Egypt soon saw its import-substituting development strategy run out of steam. While industrialization had proceeded at a reasonable pace, domestic capital was much slower to materialize. Unable to finance domestic investment, Egypt turned to outside sources for support.⁸⁶

When this development crisis came to a head in 1974, Nasser’s successor Anwar Sadat had been president for three years. Sadat held more liberal views on economic reform and business activities. His government passed Law 43, the cornerstone of what came to be called the *infitah* policy of economic “opening.” It permitted public sector enterprises to invest capital in joint ventures with domestic or foreign investors.⁸⁷ Given the imminent crisis of investment, the creation of a financial institution – the Commercial International Bank (CIB) – as the first Law 43 joint venture was hardly surprising. The fruit of a collaboration between the National Bank of Egypt and Chase Manhattan Bank, it remains a

⁸⁶ For the definitive treatment of import-substitution industrialization and public enterprise reform, see Waterbury, *Exposed to Innumerable Delusions*.

⁸⁷ Eric Gobe, *Les Hommes D'affaires Égyptiens: Démocratisation Et Secteur Privé Dans L'egypte De L'infitah* (Paris: Editions Karthala, 1999), 205.

major player in the Egyptian banking industry.⁸⁸ Along with similar joint venture schemes, the creation of CIB touched off a significant shift in Egyptian investment levels. Between 1977 and 1987, investment under Law 43 came to LE 5.2 billion, making up nearly half of total investment during that time.⁸⁹

From 1977 to 1991, Sadat's limited program of economic reform co-existed with Nasser's legacy of populism. In this populist-authoritarian phase, the public sector continued to fulfill the Nasserist social bargain; for many years, Egyptian university graduates were guaranteed government employment. Massive and inefficient public enterprises employed far more workers than purely economic standards required. Although Sadat – and after his 1981 assassination, President Hosni Mubarak – began a roll-back of Nasser's land reforms, tenants successfully retained their most important asset: the renewal in perpetuity of their tenancy contracts. Despite the 1976 demise of the agricultural reform committees and a 1981 government decision to stop enforcing land ownership ceilings, true counter-revolutionary agricultural reform was delayed until 1992.⁹⁰ Similarly, private sector development did not involve any reduction in the size of the public

⁸⁸ Dieter Weiss and Ulrich G. Wurzel, *The Economics and Politics of a Transition to an Open Market Economy: Egypt* (Paris: Organization for Economic Cooperation and Development, 1998), 128.

⁸⁹ Robert Springborg, "Egypt," in *Economic and Political Liberalization in the Middle East*, ed. Tim Niblock and Emma Murphy (London: British Academic Press, 1993), 146.

⁹⁰ Springborg, "State-Society Relations in Egypt," 52, Reem Saad, "State, Landlord, Parliament, Peasant: The Story of the 1992 Tenancy Law in Egypt," in *Agriculture in Egypt: From Pharaonic to Modern Times*, ed. Alan Bowman and Eugene Rogan (Oxford: Oxford University Press, 1999), 387.

sector. Joint venture investment bolstered the status quo, injecting much-needed capital into the economy and giving its bloated public sector a new lease on life.

Parallel public and private sector development in this period holds important lessons for persistent authoritarianism. While it did not produce a shift of regime coalitional alignments away from traditional mass foundations, limited economic liberalization in the 1970s and 1980s laid the groundwork for dramatic change in the 1990s. Economic reform during Sadat's tenure and the first decade of Mubarak's rule was closely linked to bourgeois support of authoritarian rule. Joint venture legislation, far from nourishing the type of entrepreneurial bourgeoisie and powerful social forces that animate Barrington Moore's work on England, nourished a *parasitic* bourgeoisie dependent on state patronage. For Springborg, *infitah* liberalization was a "back door" form of privatization that, in a subtly "subterranean" way, actually extended state control over the private sector.⁹¹ In Eric Gobe's phrase, what occurred was less of an outright privatization than a simultaneous "privatization of the public and a publicization of the private."⁹² This muddled pattern of public-private collusion dominated the 1970s and 1980s Egyptian political economy.⁹³

Entrenched patronage networks lubricated this process and shaped the regime's growing support base among businessmen. Some of the most successful figures in Egyptian business "straddled" the line between public and private. In

⁹¹ Springborg, "Egypt," 151.

⁹² Gobe, *Les Hommes D'affaires Égyptiens*, 205.

some cases, businessmen who held political appointments diverted state resources into the coffers of their private sector ventures.⁹⁴

Ahmed Abd al-Akhar, the 1980s chairman of the ruling National Democratic Party's Agriculture Committee, was one such individual. In addition to his bureaucratic responsibilities, he owned shares in the Giza Company for Food Security, a joint venture enterprise that was Egypt's largest producer of tomatoes and a leading figure in the chicken and chicken feed market.⁹⁵ While the six brothers of the Allam family did not hold political office, they exploited public resources to develop their private sector activities. Three of the brothers, working as managers in public enterprises, diverted resources to their three private sector siblings. Their interlinked empire of business ventures, mainly in the construction and public works sector, violated rules against the involvement of public sector managers in private enterprises but easily evaded government legal opprobrium.⁹⁶ Public sector figures like the Allams established private businesses in the names of their sons, took unofficial leadership roles in those companies, or pursued private ventures abroad, especially in the Gulf countries.⁹⁷

While businessmen like Abd al-Akhar and the Allams were very successful, one man exemplified success in straddling public and private like no

⁹⁴ Springborg, "Egypt," 160.

⁹⁵ Robert Springborg, "Agrarian Bourgeoisie, Semiproletarians, and the Egyptian State: Lessons for Liberalization," *International Journal of Middle East Studies* 22, no. 4 (1990): 472.

⁹⁶ Gobe, *Les Hommes D'affaires Égyptiens*, 207.

⁹⁷ *Ibid.*, 208.

other: Osman Ahmed Osman, at one time the richest man in Egypt. Beginning in 1949, when he founded a small engineering consultancy, Osman established a veritable dynasty of relatives and associates who built a massive corporate empire valued in the billions of dollars. He did this by “milking” public sector resources and becoming “the most masterful manipulator of state-created rents in Egypt.”⁹⁸

When Nasser nationalized Osman’s flagship firm, the Arab Contractors, in 1961, Osman used the sheltered environment of the public sector to his advantage. He transferred profits to his group’s foreign subsidiaries, while benefiting from guaranteed domestic markets and subsidized manufacturing inputs. As Minister of Reconstruction in the mid-1970s, Osman sold off state-owned construction firms that he deemed unprofitable; in their absence, the Arab Contractors won a near-monopoly in repairing war damage in the Suez Canal zone.⁹⁹ Readily available public funds enabled Osman to engage in the “socialization of losses and the privatization of profits,” as government funds supported projects that would otherwise have been economically unviable.¹⁰⁰

One especially egregious abuse of public funds was the Salihyya land reclamation project, begun in 1978. Government paid the majority of development costs and awarded infrastructure development contracts to Osman’s group, which made profits on Salihyya long before the project produced a

⁹⁸ Sadowski, *Political Vegetables*, 111.

⁹⁹ Ibid., 112.

¹⁰⁰ Gobe, *Les Hommes D'affaires Égyptiens*, 211.

profitable crop.¹⁰¹ Despite massive investment, the project failed to turn an overall profit; meanwhile, Osman blamed the government for any mistakes. A frustrated United States Agency for International Development (USAID) official captured Osman's strategy quite nicely: "We give Arab Contractors low marks. They want to be a private company when it's good for them and a public company when it's good for them."¹⁰² Springborg concurs with this analysis, and emphasizes the role of subcontracting in maintaining the regime's social bargain. "Although losing millions," he argues, the Salihyya project "served the important function of providing patronage to a host of technical and administrative personnel, suppliers, and politicians."¹⁰³

These examples demonstrate the murky legal context and winner-takes-all atmosphere of ISI collapse and public-private partnerships in the first years of Egyptian economic reform. This period was a critical juncture for political and economic reform in Egypt, setting the stage for the more drastic reform programs of subsequent years and reinforcing the pro-regime political consequences of reform. That Egypt's leaders could harness these circumstances to bolster their own longevity is less a testament to any particular pluckiness of their own than to the structural forces at work.

¹⁰¹ Sadowski, *Political Vegetables*, 114.

¹⁰² Ibid., 115.

¹⁰³ Springborg, "Agrarian Bourgeoisie, Semiproletarians, and the Egyptian State," 466.

Privatization without regulatory reform

Egypt's 1991 decision to undertake major structural adjustment – both economic and political, as the latter required a coalition shift – had its origins in the failure of import-substitution industrialization and the realization that economic “survival” strategies were but temporary palliatives for a much deeper problem. In the 1970s, the influx of joint venture capital generated major inflationary pressures; this increased the balance of payments deficit from \$2.6 billion in 1976 to \$4.7 billion by the close of 1976. In an attempt to ease the economic malaise, Sadat cut government subsidies in January 1977. Soon enough, however, protests forced him to withdraw the cuts. Thereafter, the regime relied on external financial support – especially American aid attached to the Camp David peace deal – to finance subsidies and keep its populist coalition intact.¹⁰⁴

In 1986, however, a fall in remittances from expatriate workers, oil sales, and Suez Canal earnings thrust Egypt into a new financial crisis and prompted American threats to make aid conditional on further economic reform. Mubarak entered negotiations with the International Monetary Fund (IMF), securing a stabilization package in 1987. However, subsequent reforms failed to end populist subsidies. Commitments to the IMF were left unfulfilled, government debt mounted, and Cairo did little more than implement modest subsidy cuts and promote joint venture investment. Government debt reached \$54 billion in 1988.

In the end, it was Mubarak's unpopular decision to join the international coalition against Iraq in the 1990-1991 Gulf War that prepared the way for

¹⁰⁴ Brumberg, "Authoritarian Legacies and Reform Strategies in the Arab World," 240.

significant economic reform. For his government's support, Mubarak garnered massive debt relief. In 1991, Egypt and the IMF reached a new agreement that prescribed major stabilization measures and preparations for privatization.¹⁰⁵

As Egypt lurched from crisis to crisis, efforts to turn back the clock on socialist land reform gathered steam. In 1983, the Supreme Constitutional Court invalidated Nasser-era land seizures, allowing those who had been stripped of their landholdings to pursue legal action.¹⁰⁶ By the mid-1980s, landholdings of less than one feddan had fallen below 800,000 and the amount of tenant-controlled land stood at 30 percent of the total land, down from 60 percent in 1950.¹⁰⁷ Strikingly, this meant that tenants controlled less of the countryside than they had under the *ancien régime* in the years before Nasser's 1952 coup.

Starting in 1985, policy attention turned to a major disparity: while the average farmer paid a rent of LE 70-80 per feddan, or roughly seven to eight times the land tax of LE 10 per feddan, land sold for at least LE 20,000 per feddan on the open market. As a result, landowners had every reason to find ways of evicting their tenants and selling their land on the open market.¹⁰⁸ While a set of 1985 proposals for raising rents and limiting the right to inherit tenancy contracts stalled in the National Democratic Party's Agriculture Committee, they were resurrected in an even harsher manner in 1992's Law 96, "the law for regulating

¹⁰⁵ Ibid., 242.

¹⁰⁶ Springborg, "State-Society Relations in Egypt," 234.

¹⁰⁷ ———, "Rolling Back Egypt's Agricultural Reform," 28.

¹⁰⁸ ———, "State-Society Relations in Egypt," 236.

the relationship between owner and tenant.” Its discontents soon labeled it “the law for throwing out tenants from their land.”¹⁰⁹

Law 96 increased rent to approximately seven to twenty-two times the land tax, which by then had risen to LE 25. It ended the renewal in perpetuity of government-regulated tenancy contracts, setting a 1997 deadline for their termination. After contract termination, the land was to be sold on the open market; while tenants were given the first bid, they rarely had the financial means to make competitive offers. If they were unable to purchase their land, tenants were allotted a mere 40 times the value of the land tax in compensation; this constituted about 2-10 percent of the land’s market value. Although the opposition Tagammu party – traditionally an advocate of peasants’ interests – requested that the government provide loans to newly landless tenants, no such provision was included in Law 96.¹¹⁰ This land reform, occurring only one year after the Gulf War and the signing of a new IMF accord, was in large part due to Mubarak’s newfound attention to the imperatives of market reform.¹¹¹ Most importantly of all, it signified the beginning of a shift away from the traditional populist bases of regime support.

Even as Law 96 devastated the peasantry, it gave new ascendancy to the large landowners and businessmen who bought their conveniently vacated land. In 1997, as the law’s five-year grace period for contract termination came to an

¹⁰⁹ Saad, "State, Landlord, Parliament, Peasant," 387.

¹¹⁰ Ibid., 396-98.

¹¹¹ Raymond A. Hinnebusch, "Class, State, and the Reversal of Egypt's Agrarian Reform," *Middle East Report* 184 (Sept.-Oct. 1993): 21.

end, some tenants refused to budge. Government decried their actions as “rural discontent... whipped up by terrorist sympathizers” – a charge that held particular resonance after the 1997 tourist massacre at Luxor – and sent in the security forces to remove these intransigent peasants, much to the relief of landowners.¹¹²

For the upper classes, the “winners” of the economic reform process, the economic climate was improving. In 1991, soon after Egypt secured its IMF package, Mubarak oversaw the passage of the Public Sector Business Law (Law 203). It grouped public enterprises into holding companies for restructuring, with the goal of preparing them for privatization. In striking at the heart of the public sector, Law 203 weakened the populist-authoritarian status quo in an unprecedented way. Suddenly, the days of inefficient public companies with bloated payrolls were numbered. Just as land reform produced a reconstituted countryside coalition of landowners and marginalized lower-class peasants, Law 203 began the slow elimination of government patronage for lower-class workers.

Initially, the privatization process moved at a snail’s pace. In 1996, 292 of the 314 companies slated for privatization under Law 203 still belonged to the holding companies. In Tunisia, another country that had moved from fiscal crisis to structural adjustment, only 230 of the 400 state-owned enterprises targeted for divestiture remained unsold. This disparity prompted a brief flurry of academic activity, as scholars raced to explain this intra-regional variation. Boyan Belev argued in 2000 – on the basis of data collected up to 1995 – that Tunisia’s authoritarian and restrictive approach to economic reform had been more

¹¹² Ray Bush, *Economic Crisis and the Politics of Reform in Egypt* (Boulder: Westview Press, 1999), 148.

successful than Egypt's slower, more "liberal" strategy.¹¹³ As the years passed, however, the Mubarak government's record improved: by 2001, 172 of the 314 companies had been sold. Confounding Belev's argument, this transition was not achieved through a noticeable increase in state pressure or coercion.¹¹⁴ In 1999, the IMF ranked Egypt's privatization efforts fourth in the world.¹¹⁵

Privatization proceeded alongside similar – but no less gradual – achievements in other areas of marketization. In 2003, the People's Assembly passed an eagerly awaited labour law, harmonizing Egyptian employment rules with accepted Western standards. The law eased restrictions on strikes and made it easier to fire employees.¹¹⁶ In 2004, the long-delayed sale of public stakes in joint venture enterprises began in earnest. Barclays Bank bought out the National Bank of Egypt's share in the Egyptian Barclays joint venture, prompting widespread speculation that other bank sales would soon follow.¹¹⁷

Later in 2004, as the People's Assembly began the fifth and final session in its five-year mandate, Prime Minister Ahmed Nazif promised to focus on

¹¹³ Boyan Belev, *Forcing Freedom: Political Control of Privatization and Economic Opening in Egypt and Tunisia* (Lanham: University Press of America, 2000), 2-3.

¹¹⁴ Eberhard Kienle, "Domesticating Economic Liberalization: Controlled Market-Building in Contemporary Egypt," in *Politics from above, Politics from Below: The Middle East in the Age of Economic Reform*, ed. Eberhard Kienle (London: Saqi, 2003), 152.

¹¹⁵ El-Meehy, "State, Private Industry and Economic Liberalization in Egypt", 42.

¹¹⁶ Al-Ahram Weekly Staff, "Briefs: Labour Law Passes," *Al-Ahram Weekly*, 10-16 April 2003.

¹¹⁷ ———, "British Buy out Barclays," *Al-Ahram Weekly*, 1-7 April 2004.

“fighting monopolies and introducing new tax exemptions” aimed to help low-income citizens. With characteristic restraint, President Mubarak stressed that “gradualism must be the hallmark of this reform.” Without elaborating, he stated that “these legislations will lead to more democratization.”¹¹⁸ Continued consolidation in the banking sector, however, has proceeded unabated. By the end of 2005, the state put its Bank of Alexandria on the auction block and proposed the merger of two other public-sector banks, Banque du Caire and Banque Misr.¹¹⁹ At the time of writing, the government has put Banque du Caire up for sale, stimulating substantial foreign interest in the banking sector and “shocking” public opinion.¹²⁰ The government broke a new taboo when it proposed converting the national medical insurance agency into a holding company.¹²¹

Over the last sixteen years, Egypt has successfully navigated the transition from populist social bargains to post-populist financial restraint and economic reform. Although businessmen, the primary beneficiaries of reform, have seen their position in society improve greatly, there have been no significant bourgeois demands for democratization. On the one hand, businessmen may fear that democracy would bring “Islamic electoral victories threatening to liberal personal

¹¹⁸ Gamal Essam El-Din, "Reform Tops Parliamentary Agenda," *Al-Ahram Weekly*, 11-17 November 2004.

¹¹⁹ Niveen Wahish, "Uphill Drive," *Al-Ahram Weekly*, 18-24 May 2005.

¹²⁰ Dahlia Reda and Gilane Madgi, "Une Corde Très Sensible Est Touchée," *Al-Ahram Hebdo*, 18-24 July 2007.

¹²¹ Mirande Youssef and Marianne Youssef, "Il Y a De La Privatisation Dans L'air," *Al-Ahram Hebdo*, 2-8 May 2007.

rights.”¹²² A full explanation for their democratic diffidence, however, must follow Bellin’s analysis in identifying why business interests are coterminous with those of authoritarian rulers interested in prolonging their own tenure. In addition to identifying why regime change might damage their interests, it is necessary to question what those interests are to begin with and how it is that authoritarian stability serves them.

The answer lies in the partial and selective nature of economic reform, and is best approached through a critical disaggregation of economic liberalization into its constituent parts. In Egypt, privatization has occurred in the absence of full regulatory reform. The result, this study argues, is a heavily collusive variant of state-business relations that hinges on strategic patronage. While the kind of resources being distributed has changed, their regime-stability dividend is no less reliable than the populist social bargains of years past.

In the populist-authoritarian phase, when joint venture activity existed alongside the populist social bargain, state sponsorship of business focused on the provision of start-up capital, access to public-sector government contracts, and subsidized inputs.¹²³ In the new climate, *regulatory decisions* are the stuff of patronage politics. Government still controls entry into restricted markets, grants essential licences and permits for business operations, and has the final say in privatization bids.

¹²² Hinnebusch, "Liberalization without Democratization In "Post-Populist" Authoritarian States," 131.

¹²³ Bellin identifies analogous developments in Tunisia, while Sadowski sees this kind of “crony capitalism” in the Egyptian agricultural and construction sectors prior to 1991. See Bellin, *Stalled Democracy*, Sadowski, *Political Vegetables*.

John Sfakianakis finds that Egypt's most powerful businessmen – by his estimation, a group of only 32 individuals – competed ruthlessly for “rents created by the *reregulation* of the Egyptian economy.”¹²⁴ For Sfakianakis, economic reregulation occurred when the Egyptian government used regulatory tools to manipulate the privatization process. Favouritism in the acceptance of rival privatization bids and the granting of licences had an indelible regulatory impact on the private sector. After businessmen succeeded in manipulating this system of rents to enrich themselves, they worked to prevent it from becoming “more competitive and more transparent” in order to sustain their “privileged access to information, links with well-positioned bureaucrats and economic opportunities.” Sfakianakis notes that this exclusive network of top entrepreneurs and policy-makers was inaccessible to smaller or “less-well-connected” businessmen.¹²⁵ These elites had an interest in the partial reform, or “privatization without regulatory reform,” that Egypt pioneered in the 1990s.

A number of central episodes in the privatization and licensing process emphasize these dynamics. In 1997, the regime issued two mobile phone licenses, creating a duopoly between competitors Mobinil and Click GSM. No further competition in this key sector has been permitted, although the state has toyed with the thought of entering the market as a licensed public sector competitor.¹²⁶

¹²⁴ John Sfakianakis, "The Whales of the Nile: Networks, Businessmen and Bureaucrats During the Era of Privatization in Egypt," in *Networks of Privilege in the Middle East: The Politics of Economic Reform Revisited*, ed. Steven Heydemann (New York: Palgrave Macmillan, 2004), 78. Emphasis is mine.

¹²⁵ Ibid., 79.

¹²⁶ Ibid., 86.

In the beverages sector, the 1997 privatization of Al-Ahram Beverages (ABC), Egypt's alcohol monopoly, was fundamentally shaped by patronage politics. In 1996, a "powerful consortium" of top businessmen and former bureaucrats made a generous but unsuccessful bid to buy ABC. The following year's successful bid by the Luxor Group, with well-connected financier Ahmed Zayat at the helm, employed clever financial tactics to produce a financial windfall for the regime. After ABC's shares were floated on the London Stock Exchange for LE 68.5 per share, Zayat purchased three-fourths of them. He then engineered a stock split, selling each half-share at an inflated price of LE 52.5. His ingenuity garnered a 36 percent profit, allowing him to buy the remainder of ABC's shares from the government for a whopping LE 231 million.¹²⁷

Zayat then turned his attention to the Egyptian army, which controlled the production of Safi mineral water. He agreed to distribute Safi in return for tacit army support in Upper Egypt, where a local police ban on alcohol sales had frustrated ABC's expansion attempts. With the army's backing, ABC sold its beer unchallenged. In 1999, ABC won a bidding war for Gianaclis, the immensely profitable wine monopoly. Zayat's contacts in the public enterprise office helped him beat out rival bidders. A 3,000 percent customs duty on imported wine made the acquisition a major coup. After buying out the newly-licensed El-Gouna brewery and winery, Zayat sold ABC to international alcohol giant Heineken for LE 1.3 billion in the most profitable sale of Egypt's post-1952 history. In the cinema market, the Osman and Sawiris families continue to control a duopoly

¹²⁷ Ibid., 87.

about which very little is known. Their exclusive access to military construction contracts, dating back to Osman Ahmed Osman's shrewd business moves in the *infitah* era, is shrouded in similar secrecy.¹²⁸

These cases support the contention that businessmen are, at best, diffident democrats. In the Egyptian case, top entrepreneurs have every reason to support the economic and political status quo. As Ulrich Wurzel argues, "economic reforms seem to appeal to many businessmen only until they have gotten their piece of the pie."¹²⁹ The close cooperation between business elites and government leaders figures prominently in the comments of Ramy Lakah, one of Egypt's richest men:

I am not a member of any [business] association. These channels are not necessary to get through to government. If there is a problem it is better to go directly to the government, to one of the Ministers or the Prime Minister. He is accessible so there is no need for organizational [interference].¹³⁰

Clearly, businessmen like Lakah see their interests in continued access to policy-makers. As Bellin shows in Tunisia, state sponsorship of business emasculates it – or at least its most powerful members – as a force for regime change.

The Mubarak regime's turn to business orientation has only intensified in recent years. As if to emphasize its near-abandonment of the popular sector as a *fait accompli*, the regime has quietly scaled back the operations of organizations

¹²⁸ Ibid., 191.

¹²⁹ Ulrich G. Wurzel, "Patterns of Resistance: Economic Actors and Fiscal Policy Reform in Egypt in the 1990s," in *Networks of Privilege in the Middle East: The Politics of Economic Reform Revisited*, ed. Steven Heydemann (New York: Palgrave Macmillan, 2004), 111.

¹³⁰ Ibid., 125.

providing legal assistance to workers.¹³¹ Just as the new entrepreneurs engaged in private-public straddling during the infitah period, cases of corrupt manipulation of murky government regulatory practices continue. A member of the People's Assembly held a monopoly in the provision of blood containers to government hospitals, and it emerged that the merchandise was defective. When a public health scandal threatened to erupt, the government buried responsibility for the debacle with a flood of contradictory information; critics faulted regulators, their medical regulations, the Health Ministry, and the hospital. Confusion reigned and no conclusive action was taken.¹³²

Special treatment for members of the business-government elite endures after prominent figures leave office. Former ministers Abdel-Hadi Qandil and Hussein Salem acquired power companies after their cabinet service; in the words of one commentator, these ex-cabinet figures now "monopolize the power sector."¹³³ In 2005, Transparency International revised its corruption rating for Egypt from "highly acute" to "rampant."¹³⁴

In the post-populist era, the incorporation of these private sector figures into the regime's popular coalition is central to its stability. Egypt, in abandoning the palliative "survival strategies" of old and embarking on authentic structural

¹³¹ "Denial and Democracy in Egypt," *New York Times*, May 6 2007.

¹³² Salama A. Salama, "Crippling Corruption," *Al-Ahram Weekly*, 25-31 January 2007.

¹³³ Gamal Nkrumah, "'Viva Corruption'," *Al-Ahram Weekly*, 13-19 July 2006.

¹³⁴ Gamal Essam El-Din, "Risky Business," *Al-Ahram Weekly*, 29 December-4 January 2005.

adjustment, has successfully met Brumberg's challenge of "political adjustment" and has engineered a reconstitution of its power base. Yet, this analysis reveals that this new coalition may not weather *full* economic reform, particularly if it robs the state of its regulatory power. The fortunes of Egyptian authoritarianism will depend on the regime's ability to keep business interests coterminous with its own. If the regime's new allies in the private sector withdraw their support, and the regime is unable to resurrect the populism of years past, its stability will be seriously threatened. In such a case, Ehteshami and Murphy's premature predictions of absolute reliance on repression as the foundation of continued hegemony may finally materialize.

However, this study sees no clear short- or even medium-term pathway to such an event. Egypt, making the most of its strategic significance in the Middle East and the unwillingness of international donors to compromise its stability, continues to implement what is easily the world's slowest economic reform program. Assuming that Egypt maintains its satisfactory level of economic growth, this study sees no convincing reasons why regulatory reform cannot be postponed indefinitely. As for continued privatization, a well-known media commentator sums it up well:

The policies on the move to free market economics were debated behind closed doors without letting the public know anything, whether it be regarding their objectives, their effectiveness, their impact on people's lives, on their standard of life or on their jobs... We think the state is willing to sell everything.¹³⁵

¹³⁵ Salama A. Salama, "Les Réglements De La Privatisation," *Al-Ahram Hebdo*, 25-29 August 2006.

Informality and authoritarianism

The hardening cronyism described here is an essential top-level bulwark of authoritarianism, but its position in popular society also deserves mention. When regimes target social actors for strategic patronage, and shift these support cultivation tactics to match the changing political context, other groups are left out. In Egypt it was the masses that suffered from the Sadat-Mubarak switch from Nasserite socialism to canny corporate ties. They have vanished from the halls of power, but this snub alone cannot account for the striking inaction of ordinary Egyptians against perceived regime injustices and the even more remarkable failure of opposition political activists to whip up discontent. It is this profound de-politicization, and the staleness it installs in the public institutions of government, that requires a direct treatment in any explanation for languid political competition in Mubarak's Egypt.

Facing the dissolution of the Nasserite social contract, average lower- and middle-class Egyptians turned away from dependence on the state. Citizens who once counted on guaranteed government jobs drove taxis in their off hours, or found other ways to pad their incomes. Muhammed Ahmed, a traffic policeman interviewed in 2007, made LE 400 per month. His expenses exceeded this amount; by way of explanation, he simply stated: "Don't ask how we make it every month. God blesses us, and we manage."¹³⁶ Ordinary people tap the informal economy for the additional revenue they need to survive.

¹³⁶ Michael Slackman, "Stepping Boldly Off the Curb, with a Wave and a Prayer," *New York Times*, July 17 2007.

Certainly, there are flashes of initiative and constructive civil engagement in this widening margin of life without serious government regulation or involvement. Moderate Islamic social institutions have played a prominent role here, most famously providing medical care that draws members of politically marginal social strata – including middle-class Egyptians and even Coptic Christians – away from more expensive government facilities and into the informal economy.¹³⁷ This kind of vitality creates an undeniable “sense of solidarity and mission,” leading to a “gradual accumulation of social capital” that helps everyday Egypt retain its vigour.¹³⁸ For all its surprisingly positive implications for social cohesion, however, the post-Nasserite rupture of state-society relations means that social activism cannot easily metastasize to the political institutions at the centre of power. Pockets of Egyptian society flourish, but they have the paradoxical effect of nourishing a depoliticizing effect that exacerbates the same state-society rupture they were developed to mitigate.

To be sure, every third world nation – and each of their first world counterparts – has its communities, classes or individuals who live in poverty or sit on the margins of the social compact. What is peculiar, and significant from a regime stability perspective, is the close articulation in Egypt of marginality, ruptured state-society links and mode of governance. Rupture nourishes apathy, which in turn feeds rupture. Coverage of Cairo’s urban poor places this vicious circle in stark relief. Reading Michael Slackman’s dispatches from the city on the

¹³⁷ Janine A. Clark, *Islam, Charity, and Activism* (Bloomington: Indiana University Press, 2004).

¹³⁸ *Ibid.*, 161.

Nile is to know Ali, the fisherman, Karim, the goat herder, or Mina, resident of an urban slum,¹³⁹ and to understand – in one analyst’s words – the typical view that politics is “elite,” “risky,” and “something to stay away from.”¹⁴⁰ These Egyptians live in “a collection of villages, a ruralized metropolis where people live by their wits and devices, cut off from the authorities, the law, and even each other.”¹⁴¹

Yet in this miasma of apparent despair, a kind of social capital emerges that is at once a survival strategy and a curse. As post-Nasserite structural adjustment helped rulers realize that “important sectors of the population could be left to take care of themselves,” they did just that: a “talent for self-help” became pivotal, and an informal economy grew. In Elyachar’s words, the “most important thing” it produced “was survival itself.”¹⁴² Re-cast as the underbelly of the national economy, however, Egyptians on the margins paid a heavy price of “dispossession” and loss of the “power to decide what matters.”¹⁴³ Disconnected from the state, they had and have no real say in its affairs. In this matrix, survival and quietism align elegantly.

In conditions of ruptured state-society relations, state domination works through informality in an additional spatial aspect. Elyachar documents the case

¹³⁹ Michael Slackman, "In Arab Hub, Poor Are Left to Their Fate," *New York Times*, March 1 2007.

¹⁴⁰ Diane Singerman, quoted in *Ibid.*

¹⁴¹ *Ibid.*

¹⁴² Elyachar, *Markets of Dispossession*, 9.

¹⁴³ *Ibid.*, 8.

of Ahmed Sa'id, a businessman of modest holdings with government clients and good connections. His car alignment business chafed at the space restrictions on his slice of Cairo land, but no amount of bureaucratic pressure could dislodge an illegal chicken farm squatting on government land that he had title to, separated off with an illegal fence.¹⁴⁴ Government maps that could substantiate his case vanished mysteriously; “how,” one wonders, “could the state have no official map of its own land and property rights?”¹⁴⁵

This example illustrates the fundamental articulation of state power and zones of informality. Just as James Scott finds the roots of domination in bureaucrats' power to make “legible” a decidedly haphazard world,¹⁴⁶ the flip side is also true: the ability to make chosen zones *illegible* to rivals is a fearsome weapon of the strong. Jamal applies this insight to civil society activism in Egypt, a once-promising space of contention that the Mubarak regime drowns in legal ambiguity and selected crackdowns. Revisions of the law on non-governmental organizations (NGOs) in 1999 and 2002 allowed the Ministry of Social Affairs to withhold government approval of such groups at will, making it impossible for them to harness the vibrant, informal stock of social capital and activism at the margins of Egyptian society for political purposes. This “maze of legal regulations” stifles what Jamal calls the ideal-typical “civil society project.”¹⁴⁷

¹⁴⁴ Ibid., 66-67.

¹⁴⁵ Ibid., 68.

¹⁴⁶ James Scott, *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed* (New Haven: Yale University Press, 1998).

¹⁴⁷ Jamal, *Barriers to Democracy*, 124.

In the final analysis, the most important political distinction among the Nasserite, infitah, and post-structural adjustment cronyism phases of Egyptian reform concerns not the form of relationship between state and social partner but rather its presence or absence. The brilliance of the turn to managed reform, and the hardening of new ties to the private sector, was not that it replaced Nasserite carrots for the average Egyptian with new, quietism-inducing patronage. Its paradoxical – and cruel – genius was in its lack of compensatory aid to the poor. Taking “shock therapy” to an entirely new level, Egypt’s leaders engineered a breath-taking withdrawal from public service provision that left the masses with no choice but to retreat into informality.¹⁴⁸

Faced with the need to make ends meet in the era of government retrenchment, street-level social activists unleashed a flurry of innovation that built informal economies, informal social services, and an entire culture of disconnection that flourishes, in its modest way, without the Nasserite coddling of old. To tweak another of James Scott’s analytical gems, this was a “weapon of the weak” that worked as an admirable survival strategy; organizers could thumb their nose at a distant, seemingly uncaring government and achieve independent basic service provision.¹⁴⁹

In the realm of high politics and actual representation, however, revitalized informality was a poisoned chalice. The stagnation of electoral politics and formal opposition in Egypt grows in direct proportion to increasing vitality on

¹⁴⁸ The principal exception here is continued subsidies for bread.

¹⁴⁹ James Scott, *Weapons of the Weak: Everyday Forms of Peasant Resistance* (New Haven: Yale University Press, 1985).

the margins. To the fishermen and goat herders of Cairo's "urban villages," the international profile of democracy activists like Ayman Nour could not be farther from daily reality. In presiding over a break in state-society relations while allowing associational life to flourish in the isolation of the margins, Egypt's leaders cement persistent authoritarianism. As one Cairene put it recently: "As an average citizen, why should I make the effort to vote? What will I get out of it?"¹⁵⁰

At first glance this conclusion might resemble the "Coles Notes" explanation for Arab authoritarianism, that tempting but analytically blunt refrain that Hosni Mubarak and his counterparts are just too cunning, smart, and resourceful for democracy activists to assail. Situating the present explanation in context, however, reveals its inextricable links to slow-moving historical processes, critical junctures in the reform process, and structural scars of state-sponsored development that have marked Egypt's political and economic reforms since the installation of its radical republican regime in 1952.

The collapse of import-substitution industrialization, and the introduction of public-private palliatives to break its fall, had indelible political consequences. Entrepreneurs straddling the government and business worlds accessed foreign joint-venture capital, making state leaders realize they could curry favour with strategic patronage and by making the contracting process opaque to their rivals. In the critical juncture that spurred Sadat's *infitah*, we see the structural seeds of business-state collusion and the rampant cronyism that characterizes Mubarak's

¹⁵⁰ Slackman, "As Egypt Votes on Laws, Cynicism Rules the Street."

Egypt. Enmeshed in these new relations of power, Egypt tumbled into a second critical juncture: the state-society rupture that tore the populist foundations out of the Egyptian social contract and twinned vitality on the margins with depoliticization and the creeping *muséification* of formal politics. This was Egypt's path, and as the first and best example of halting economic reform in the Middle East, it set the example for a region that remains a bastion of authoritarianism.

IV. Persistent authoritarianism in comparative perspective

As per King, Keohane, and Verba, analyzing variation on the dependent variable is a key element in substantiating a causal relationship.¹⁵¹ While my Egyptian case study elaborates the historical path to continued authoritarianism with detailed process tracing and historical detail, it also benefits from two types of comparative perspective: first, a case study of development leading to *democratization*, and second, an investigation of informality leading to revitalized civic engagement in formal political institutions rather than compartmentalized, democracy-damaging social capital on the political margins. The argument made here is that these relationships are contingent: the development-democracy link depends on the character of state-directed development, and the informality-regime type relationship hinges on the quality of state-society relations.

Development and regime change in Thailand

An account of Thailand's experiences is an ideally suited means to my first comparative goal. Its bourgeoisie, a product of recent economic reform, has shown wildly divergent orientations to democratic rule. These are contingent, in turn, on the perceived quality of the state's role in the economy, the level of corruption, and the overall health of state-society relations. In the following analysis of Thailand's 1992 and 2006 coups, I use variation in bourgeois orientations to further demonstrate the tensions in the development-regime type relationship.

¹⁵¹ King, Keohane, and Verba, *Designing Social Inquiry*.

a) Corrupt governance and the May 1992 protests

In February 1991, the Thai military overthrew elected prime minister Chatichai Choonhavan and picked Anand Panyarachun, a respected civil servant and businessman, to lead a new government. Although the military took steps to entrench its control over politics – proposing constitutional changes to rein in Parliament, creating the military-dominated Samakkhitham party to contest upcoming elections, and installing General Suchinda Krapayoon at the party's helm – anti-Suchinda demonstrations in May and electoral defeat in September 1992 brought down the coup's leaders and restored democracy.¹⁵² Contemporary commentators noted the middle class' heavy participation in the May uprising, describing the role of this “mobile phone mob” in the democratic movement.¹⁵³ As Neil Englehart notes, strong middle class participation seemed to make Thailand “a classic case of modernization theory in action,” with capitalist development producing a middle class that demanded accountability and democracy.¹⁵⁴

An examination of the path to democratic transition in 1992, however, gives a second reading of these events as a fight over state-society relations. The Thai middle class opposed state corruption under Chatichai's democratically

¹⁵² Pasuk Phongpaichit and Chris Baker, *Thailand: Economy and Politics* (Oxford: Oxford University Press, 2003), 373-80.

¹⁵³ James P. LoGerfo, "Beyond Bangkok: The Provincial Middle Class in the 1992 Protests," in *Money and Power in Provincial Thailand*, ed. Ruth McVey (Hawaii: University of Hawaii Press, 2000), 221.

¹⁵⁴ Neil A. Englehart, "Democracy and the Thai Middle Class: Globalization, Modernization, and Constitutional Change," *Asian Survey* 43, no. 2 (2003): 253.

elected government and the prospect of its continuation under Suchinda's leadership. While the May 1992 protestors supported democratic change, this goal was congruent with their central demand for increased accountability in government. Democracy and accountability were convergent goals in 1992, but this commonality of aims was, in the final analysis, a coincidence. The historical record reveals no necessary connection between the two in this particular case, making the simplistic application of modernization theory to Thailand's 1992 experience inadequate.

In the years preceding the political crisis of 1992, middle class interests coalesced around government accountability under Chatichai's elected government *and* during the brief interlude of military rule in 1991-1992. The context for capital's rising influence in politics was the end of a region-wide recession in 1987. The national budget returned to surplus, GDP growth reached double digits in 1988 and Thailand became a prime location for Korean and Taiwanese industry outsourcing, with production leaving those markets in response to currency fluctuations.¹⁵⁵ Shares and land prices increased in value, enriching the "huge number of middle and upper-class investors" beginning to participate in the Stock Exchange of Thailand, or SET.¹⁵⁶ The new elites became increasingly disenchanted with Prem Tinsulanonda's insular military regime, and their increasing self-confidence coincided with Chatichai's 1988 electoral victory.

¹⁵⁵ Paul Handley, "More of the Same? Politics and Business, 1987-96," in *Political Change in Thailand: Democracy and Participation*, ed. Kevin Hewison (London: Routledge, 1997), 95.

¹⁵⁶ *Ibid.*

With Prem out, Chatichai presided over a period of “explosive growth.”¹⁵⁷ Middle class elites drew their economic ascendancy from the SET and the economic boom it led, while the military and bureaucratic elites that left power with Prem’s demise relied on more traditional involvement in the public sector.¹⁵⁸ Political divisions in the Thai elite coincided with roles in the old and new sectors of the economy.

Chatichai’s coalition government empowered the ascendant business elites, with “business-backed” politicians pursuing an array of measures to decrease the military’s – and the old elites’ – “institutionalized control over the state.”¹⁵⁹ In this battle over the levers of state authority, it was the redirection of funds away from defence spending that prompted the generals’ 1991 decision to seize Chatichai at gunpoint and launch a coup.¹⁶⁰ A very public pattern of corruption characterized Chatichai’s three-year tenure, leading the military to emphasize corruption as the primary motivation for its actions. It accused Chatichai’s administration of making “use of its political posts and authority to vigorously and unprecedentedly seek benefit for itself and its companions.”¹⁶¹

¹⁵⁷ Ibid., 96.

¹⁵⁸ Ibid., 97.

¹⁵⁹ Phongpaichit and Baker, *Thailand*, 373.

¹⁶⁰ Ibid., 372.

¹⁶¹ Bangkok Army Television Channel 5, 23 Feb. 1991, quoted in James Ockey, “Political Parties, Factions, and Corruption in Thailand,” *Modern Asian Studies* 28, no. 2 (1994).

The civilian government became “a byword for corruption.”¹⁶² Its cabinet ranks included rural politicians who bought votes with political patronage, expecting personal profit from their electoral success.¹⁶³ These “local godfathers,” or *jao pho*, controlled networks of business enterprises that profited from the economic boom. They used their resources to build political support.¹⁶⁴ Although Chatichai’s government was democratic, the corruption of its political machine sapped popular enthusiasm for a democracy that seemed to cater to “narrow interests” at the expense of others.¹⁶⁵

When the military National Peacekeeping Council (NPKC) seized power in February 1991 and appointed Anand as prime minister, public acceptance of authoritarian reversal was striking. In fact, some of the coup’s most sympathetic voices came from the very middle classes one might have expected to oppose it. Englehart puts it most starkly, finding that the “undemocratic origins” of Anand’s government “provided the basis of its popularity.” No longer beholden to the corrupt political machines of Thai electoral politics under Chatichai, Anand appointed unelected technocrats to cabinet positions and immediately pursued

¹⁶² John Girling, *Interpreting Development: Capitalism, Democracy, and the Middle Class in Thailand* (Ithaca: Southeast Asia Program, Cornell University, 1996), 30.

¹⁶³ Englehart, "Democracy and the Thai Middle Class," 256-57.

¹⁶⁴ Girling, *Interpreting Development*, 37., James Ockey, "Business Leaders, Gangsters, and the Middle Class" (Cornell University, 1992).

¹⁶⁵ Englehart, "Democracy and the Thai Middle Class," 257. Ockey, "Political Parties, Factions, and Corruption in Thailand."

infrastructure projects popular with the urban middle class.¹⁶⁶ The NPKC pacified its opponents with a promise for free elections in 1991 or 1992, and with the establishment of a special commission to investigate corruption allegations against Chatichai-era politicians.¹⁶⁷ When elections came in March 1992, the NPKC's Samakkhitham party took the largest number of seats despite allegations of polling irregularities. However, these allegations touched all the parties involved; overall, the conduct of the elections hardly differed from previous Thai polls.¹⁶⁸ The promise of a break with the Chatichai era's corrupt legacy and a move to greater government accountability remained, and public acceptance for the post-coup new order continued.

The catalyst that turned public opinion against the NPKC and led to its downfall was General Suchinda's selection as Samakkhitham's nominee for the prime minister-ship, breaking his earlier promise to stand aside. His entry came after Narong Wongwan, the party's initial nominee, lost credibility when allegations of drug-smuggling involvement came to light.¹⁶⁹ While Suchinda was unelected, so too was his popular predecessor Anand: improved governance and a turn away from corruption gave Anand popular acceptance despite his undemocratic credentials, but Suchinda's early actions turned public opinion against

¹⁶⁶ Englehart, "Democracy and the Thai Middle Class," 258.

¹⁶⁷ Suchit Bunbongkarn, "Thailand in 1991: Coping with Military Guardianship," *Asian Survey* 32, no. 2 (1991): 133.

¹⁶⁸ Englehart, "Democracy and the Thai Middle Class," 260.

¹⁶⁹ Phongpaichit and Baker, *Thailand*, 376.

the NPKC. He picked wealthy politicians from the Chatichai era for his new cabinet, undermining the NPKC's rationale for the coup.¹⁷⁰

Suchinda's actions provided the symbolic frame for pro-democracy demonstrations in May 1992. Veteran protestor Chalard Vorachart began a hunger strike by the Parliament Building in Bangkok, with Chamlong Srimuang – a politician known for his incorruptibility – joining him soon after.¹⁷¹ Crowds gathered in support of their pledge to fast until Suchinda's ouster, with 200,000 on the streets at the demonstrations' height. They demanded a constitutional amendment requiring the prime minister to be an elected member of Parliament; the military responded with force, killing over one hundred demonstrators and injuring hundreds more. King Bhumibol Adulyadej demanded reconciliation, and Suchinda soon resigned his position.¹⁷²

While Callahan reads the upheaval as a pro-democracy and anti-military protest,¹⁷³ Englehart's interpretation is closer to the facts: demonstrators opposed Suchinda for his association with the corrupt past.¹⁷⁴ Anand, who had faced no such upheaval during his tenure as prime minister, went on to lead a caretaker government before new elections in September 1992. Those polls brought an anti-

¹⁷⁰ Englehart, "Democracy and the Thai Middle Class," 261.

¹⁷¹ William A. Callahan, *Imagining Democracy: Reading "The Events of May" In Thailand* (Singapore: Institute of Southeast Asian Studies, 1998), 119. Englehart, "Democracy and the Thai Middle Class," 261.

¹⁷² Suchit Bunbongkarn, "Thailand in 1992: In Search of a Democratic Order," *Asian Survey* 33, no. 2 (1992): 220.

¹⁷³ Callahan, *Imagining Democracy*.

¹⁷⁴ Englehart, "Democracy and the Thai Middle Class," 261.

Suchinda coalition to power with a small majority.¹⁷⁵ Middle class professionals had formed the largest group of demonstrators.¹⁷⁶ The middle class that gained power under Chatichai largely accepted the NPKC's 1991 coup and installation of Anand, opposed Suchinda, and prompted a transition back to democratic rule in September 1992. This record is strongly consistent with a heightened middle class interest in accountability to ensure that the economic gains realized after 1987 would not be squandered.

The crisis of 1991-1992 showed that middle class support for accountability remained constant while interest in democracy was largely peripheral. At the same time, the middle class role in popular mobilization was pivotal in engineering Suchinda's downfall and ushering in a period of democracy. This experience confirms important aspects of the overall argument made here. In the short period of democratic rule under Chatichai that followed Prem's long tenure and ended with the NPKC coup, regime performance on the corruption dossier played a dominant role in sapping popular support for Chatichai and generating popular acceptance for the coup. This supports Diamond's emphasis on performance as a key task of democratic consolidation,¹⁷⁷ while giving it importance far beyond that of an intervening variable. Contra Diamond, regime performance was the *central* task for Thai democracy in these first years of transition, and it was a task at which Chatichai

¹⁷⁵ Phongpaichit and Baker, *Thailand*, 379.

¹⁷⁶ Girling, *Interpreting Development*, 64.

¹⁷⁷ Larry Diamond, *Developing Democracy: Toward Consolidation* (Baltimore: Johns Hopkins University Press, 1999).

failed. Responding to the encroachment of new elites, the military ended Thailand's democratic experiment and enjoyed middle class acceptance in so doing.

The middle class turn against Suchinda and the military regime in May 1992 confirms the centrality of the corruption issue while substantiating theoretical perspectives on class power and democracy. Members of the middle class were "contingent democrats:" although their support for democracy was unreliable over time, they were the decisive force behind the May demonstrations and Suchinda's resignation. This echoes Bellin's views on the social construction of class interests and Rueschemeyer et al.'s contention that the middle class is an essential, if unreliable, participant in democratic transition.¹⁷⁸ As Thailand's experience in the next millennium would show, this unreliability can translate into full-fledged support for authoritarian reversal in the early stages of democratic consolidation. When democratic political culture is in its infancy, the divergence of middle class material interests and the results of democratic politics can be fatal to democracy itself. In the latter half of this case study, I show how Prime Minister Thaksin Shinawatra learned this lesson.

b) Business politics and middle class disaffection under Thaksin

On September 21, 2006, a military coup led by General Sondhi Boonyaratkalin imposed martial law in Bangkok and deposed Prime Minister Thaksin, a wealthy businessman whose Thai Rak Thai (TRT) party had

¹⁷⁸ Rueschemeyer, Stephens, and Stephens, eds., *Capitalist Development and Democracy*, Bellin, *Stalled Democracy*.

dominated Thai politics since 2001.¹⁷⁹ The middle class that opposed Suchinda's assumption of power in 1992 and supported a return to democracy made the opposite move fourteen years later, supporting Thaksin's ouster in overwhelming numbers. Initial survey data suggested that 84 percent of Thais supported the coup, a striking rejection of democratic politics.¹⁸⁰

At this juncture, middle class interests in accountability ran at cross-purposes with the continued tenure of a democratically elected government. Middle class support for the 2006 coup – like its support for democratic governance in May 1992 – grew from increasing disaffection with official corruption. In Thailand's political climate of unconsolidated, tentative democracy, concerns over regime performance were heightened and become central to the fortunes of democratic rule. Like Suchinda and Chatichai before him, Thaksin failed at the key task of regime stabilization and brought on his own downfall. Despite the popularity of his social policies, Thaksin's unprecedented use of the state apparatus to promote his business interests and those of his allies delegitimized his government and resurrected the "money politics" of the past on a grand scale.

Paradoxically, the path to authoritarian reversal in 2006 began with Thailand's 1997 constitution, an attempt to rid Thai politics of its past corruption and create the conditions for durable democratic rule. A Constitution Drafting

¹⁷⁹ "With Premier at U.N., Thai Military Stages Coup," *New York Times*, 20 September 2006.

¹⁸⁰ "When Is the Abhorrent Practice of Staging a Coup Justifiable?," *Nation (Thailand)*, 22 September 2006.

Assembly drew up a heavily reformist document that strengthened the legislative branch of government and complicated the traditional avenues for money politics. A proportional representation component was added to the Thai electoral system, under the reasoning that MPs with no connection to territorial constituencies could avoid the vote-buying characteristic of local electoral politics. A new principle of incompatibility barred cabinet ministers from retaining seats in the parliament. In an especially pivotal move, the document created a set of national institutions to maintain oversight over elected officials and guard against corruption.¹⁸¹ The National Counter-Corruption Commission (NCCC) would have authority to police corrupt dealings, a power that would prove crucial in the early months of Thaksin's government. While the new Constitution aimed to shift power from the military to the parliamentary leadership, its empowerment of political parties –in particular, Thaksin's TRT – set the stage for one-party dominance and “democratic authoritarianism.”¹⁸²

In January 2001, the TRT came to power in the most democratic of fashions: by presenting a clear policy platform with concrete promises to its constituents, Thaksin's party outdid its Democrat Party rivals and won convincingly at the polls. The party's electoral promises were distinctly populist in nature, and formed the core of a new Thai social contract that was identified with Thaksin's leadership. To assist the rural poor, the TRT promised rural debt

¹⁸¹ Suchit Bunbongkarn, "Thailand's Successful Reforms," *Journal of Democracy* 10, no. 4 (1999): 59.

¹⁸² Thitinan Pongsudhirak, "Thailand: Democratic Authoritarianism," in *Southeast Asian Affairs 2003*, ed. Daljit Singh and Chin Kin Wah (Singapore: ISEAS, 2003).

suspension, credit extension programs, rural development funds of roughly US\$25,000 per village, and a “30-baht healthcare plan” that priced access to hospital care at about US\$1 per visit.¹⁸³ Yet, the populist gloss of Thaksin’s social contract – a system that won him great support, especially outside urban areas – was simply the political basis for Thaksin’s primary interest in supporting “big domestic capital.”¹⁸⁴ Thaksin, himself a wealthy businessman whose family controlled the Shin Corporation, built an electoral machine that secured rural votes with state populism and furthered the interests of big business. In parliament, the 1997 constitution’s 90-day rule – requiring candidates to hold party membership for 90 days prior to standing in an election – favoured politicians loyal to the TRT, and increased thresholds to trigger no-confidence debates muted criticism of the government.¹⁸⁵

Thaksin’s alliance of big capitalists had its roots in another - this time economic - legacy of 1997: the Asian financial crisis and the havoc it wreaked for Thai capitalists. For these “big capitalists,” the crisis revealed globalization’s downside and the importance of state policy in realizing their interests. Under the IMF’s post-crisis rescue package, implemented with the endorsement of the Democrat Party government, foreign investment flooded into Thailand after 1998. In buying up the “wreckage of bankrupt companies,” foreign investors gave the

¹⁸³ Ibid., 280.

¹⁸⁴ Andrew Brown and Kevin Hewison, "'Economics Is the Deciding Factor': Labour Politics in Thaksin's Thailand," *Pacific Affairs* 78, no. 3 (2005): 353.

¹⁸⁵ Erik Martinez Kuhonta, "Constitution at the Heart of Thai Coup," *Asia Times Online*, October 6 2006.

local business interests that survived the Asian crisis a rude shock. Bereft of government protection from foreign capital, domestic business interests saw “treachery” in official government policy and supported a nationalist, more protectionist turn in economic policy.¹⁸⁶ As a member of this big business community, Thaksin “create[d] a political machine to advance his business interests”¹⁸⁷ and combined re-assertion of business power with his highly successful populist formula for electoral success.¹⁸⁸

Despite his government’s democratic credentials, Thaksin’s close connections to big domestic capital brought him into conflict with the anti-corruption institutions rooted in the 1997 constitution. In a widely publicized episode that followed his January 2001 electoral victory, the Constitutional Court reversed a NCCC ruling that had found irregularities in Thaksin’s financial disclosures. In an 8-to-7 verdict, the Court’s judges spared him a five-year ban from public office for assets concealment.¹⁸⁹ Significantly, Thaksin and his allies brought political pressure to bear on the judges and demonstrated a clear disregard for democratic reform. After the assets concealment charges were cancelled, public confidence in the robustness of the 1997 reforms fell.¹⁹⁰ Yet, Thaksin

¹⁸⁶ Pasuk Phongpaichit and Chris Baker, *Thaksin: The Business of Politics in Thailand* (Chiang Mai: Silkworm Books, 2004), 17.

¹⁸⁷ Duncan McCargo, "Democracy under Stress in Thaksin's Thailand," *Journal of Democracy* 13, no. 4 (2002): 116.

¹⁸⁸ Phongpaichit and Baker, *Thaksin*, 74.

¹⁸⁹ McCargo, "Democracy under Stress in Thaksin's Thailand," 119.

¹⁹⁰ Pongsudhirak, "Thailand: Democratic Authoritarianism," 281.

maintained his strong coalition of big businessmen and the rural poor, remaining in power despite his demonstrated hostility to anti-graft institutions.

As Thaksin's tenure continued, TRT dominance instituted a political order that "superseded 'money politics' with 'big money politics'."¹⁹¹ The old system of provincial bosses, vote-buying, and the distribution of wealth to government ministers and those with connections emerged in a transposed form, coalescing around a strong political party that benefited from the 1997 constitutional reform and led a business coalition of globalization's discontents. This was a government "by and for the rich" that inserted its business supporters into the bureaucracy and aided the business ventures of its allies.¹⁹² In one 2004 incident, Thaksin's government lied to EU investigators about the country's rising bird flu epidemic while the disease spread to neighbouring countries, threatening poultry supplies. As prices rose, large Thai poultry companies reaped large profits from their purportedly disease-free goods. These businesses had well-known ties to the government, and revelations of the government's role in the bird flu cover-up prompted growing disaffection in the broader business community.¹⁹³ Thaksin's unpopularity spread among Thailand's urban middle classes, but the coalition of his rural beneficiaries and wealthy associates endured. It would take a truly shocking instance of corruption to break this pattern; in the end, it was Thaksin's hubris that provided the spark.

¹⁹¹ Phongpaichit and Baker, *Thaksin*, 97.

¹⁹² Brown and Hewison, "'Economics Is the Deciding Factor'," 359.

¹⁹³ Pasuk Phongpaichit and Chris Baker, "'Business Populism' in Thailand," *Journal of Democracy* 16, no. 2 (2005): 69.

The fusion of big business and politics in Thailand reached its apex with the January 2006 sale of the Thaksin family's stake in Shin Corporation to Temasek, a holding company under Singaporean government control.¹⁹⁴ This perfection of Thaksin's "big money politics" so enraged the urban middle classes that they plunged Thailand into political crisis. With the sale, Temasek took control over a large portfolio of assets in telecommunications and broadcasting. To economic nationalists, the "sale of vital communications to a foreign government" was an outrage, but it was the deal's avoidance of any tax levies on Thaksin's family that brought the widest middle class condemnation.¹⁹⁵

On February 4, street demonstrators in Bangkok protested the sale. In a verbal slip on his radio show, Thaksin acknowledged that his children had urged him to sell the Shin stake, contradicting earlier declarations that he had no knowledge of the deal.¹⁹⁶ In response to the political upheaval, Thaksin called elections. The TRT's rural support base delivered a convincing victory, but on April 4, Thaksin stood down as prime minister "for the good of the nation" after an audience with King Bhumibol.¹⁹⁷ The Election Commission voided the election results following the King's public condemnation of one-party dominance; in May, Thaksin returned to lead a caretaker government until the

¹⁹⁴ "Shin Sale: Two Thai Banks to Fund Deal," *Nation (Thailand)*, 23 January 2006.

¹⁹⁵ "Telecom Deal by Singapore Roused Thais," *New York Times*, 3 October 2006.

¹⁹⁶ "The Going Gets Tougher for Thaksin," *Nation (Thailand)*, 12 February 2006.

¹⁹⁷ Kasian Tejapira, "Toppling Thaksin," *New Left Review* 39 (2006): 5.

new elections scheduled for October.¹⁹⁸ In September, General Sondhi's coup postponed those elections indefinitely. The Shin corporation deal triggered a chain of events that solidified middle class resentment of Thaksin's corrupt record, started an urban revolt against his rule and brought the military back into political life.

Taken as the most recent episode in a fight over regime type, the 2006 coup and its middle class support seem fundamentally different from middle class endorsement of democratic change in May 1992. In the reading presented here, however, the significance of this difference pales in comparison to considerations of state-society relations. Suchinda's resurrection of the old "money politics" and Thaksin's untenable expansion of his "big money politics" in the Shin deal triggered the same type of middle class fury. The historical record reveals an intense preoccupation with corruption, as regime performance on this issue in times of democratic rule *and* military-backed government has been key to middle class support. In 2006, as in 1992, regime performance shaped middle class preferences in a way that had little to do with democratic legitimacy. Once again, immediate concerns over governance trumped long-term interests in democratic consolidation. Thailand's last two political upheavals bring the conditions behind bourgeois orientation to regime type into stark relief.

¹⁹⁸ Ibid.: 36-37.

Informality and regime type in Ghana and Zambia

To further substantiate my second argument about informality and the state, I present the African cases of Ghana, a democracy, and Zambia, where creeping authoritarianism persists after an experiment with democratic opening in the 1990s. In both countries, like in Egypt, state retrenchment and the crisis of economic reform ruptured social contracts and left ordinary people to their own devices. Divergent political contexts meant that this period of disengagement from the state had an enriching effect on eventual democratization in Ghana, while in Zambia, its legacy continues to sap the quality of democracy. While the context of foreign aid in Africa means that international donors' willingness to soften their reform medicine played an important role in Ghana's success, the quality of state-society relations remains the key factor in accounting for regime-type outcomes.

a) Cushioned reform and democratization in Ghana

Writing on general trends in African democratization, Richard Sandbrook finds that it generally arose "in reaction against the depredations of authoritarian neopatrimonialism and the costs of neoliberal reform."¹⁹⁹ Ghana bears out this experience, while demonstrating that the same pro-democratic stimulus Sandbrook identifies can lose its reformist tinge if applied in excess, without compensatory measures to smooth its rough edges. Ghana's adjustment story includes a central role for softening measures, and its turn as the international

¹⁹⁹ Richard Sandbrook, "Economic Liberalization Versus Political Democratization: A Social-Democratic Resolution?," *Canadian Journal of African Studies* 31, no. 3 (1997): 491.

financial institutions' "star pupil" in Africa helps explain why these measures were possible and what effect they had on development, democracy, and state-society relations

Like the rest of its sub-Saharan counterparts, Ghana started economic reforms on the heels of economic malaise and the collapse of the import-substitution industrialization model. It also had a typically African record of political instability. In an ironic turn, Jerry Rawlings came to power in 1981 with the overthrow of a civilian government he had helped install two years earlier. This was Rawlings' second coup, after his maiden 1979 venture dislodged a Peoples' National Party government and led to fresh elections. When his Provisional National Defence Council (PNDC) took power in 1981, it did so with an avowedly Socialist orientation, announcing the arrival of a People's Revolution.²⁰⁰

Faced with economic crisis, however, the PNDC's leftward turn was short-lived; Ghana implemented its first IMF reform package in 1983. The country faced falling cocoa production, drought, falling hydroelectric power production, the arrival of Ghanaians expelled from Nigeria, and unsatisfying economic support from the Communist bloc.²⁰¹ With the 1983 launch of the Economic Recovery Program (ERP), Rawlings aimed to "get prices right" with the liberalization of foreign exchange and agricultural price controls. ERP included a concurrent focus on fiscal discipline, increasing tax collecting capacity,

²⁰⁰ Kwame Boafo-Arthur, "Ghana: Structural Adjustment, Democratization, and the Politics of Continuity," *African Studies Review* 42, no. 2 (1999): 46.

²⁰¹ *Ibid.*: 48.

and trimming the size of the public service, parastatals, and state-owned enterprises (SOEs).²⁰² In this, it resembled closely the wave of economic reforms undertaken across Africa with IMF and World Bank support.

Ghanaian economic reforms came in a context of increasing “disengagement from the state,” as Victor Azarya and Naomi Chazan put it in a seminal article on the subject.²⁰³ Economic recession had whittled away at state strength, reducing its ability to provide services to the population and prompting a turn to coping mechanisms. People “suffer-managed” in longer searches for food and basic supplies, or “escaped” from urban centres, where state power was centralized and the necessities of life scarce, to rural areas.²⁰⁴ Disengagement could also involve the creation of parallel systems, with citizens deviating from state regulations to engage in corruption, embezzlement, and even theft in collusion with state officials.²⁰⁵

In its most extreme form, self-enclosure, Ghanaians left the public sphere entirely to grow subsistence crops and live in rural areas, cutting themselves off from the centre and from export-oriented production. Significantly, this response to economic crisis invigorated associational life, spurring the development of a

²⁰² Donald Rothchild, "Ghana and Structural Adjustment: An Overview," in *Ghana: The Political Economy of Recovery*, ed. Donald Rothchild (Boulder: Lynne Rienner, 1991), 8-9.

²⁰³ Azarya and Chazan, "Disengagement from the State in Africa."

²⁰⁴ Ibid.: 117-18.

²⁰⁵ Ibid.: 123.

“vibrant popular counterculture.”²⁰⁶ Out of adversity came a new current of societal activity that relied less on public institutions and constituted a growing, independent centre of power.

Economic reforms designed to lift Ghana out of its developmental hole had the short-term effect of deepening disengagement. The disarray inherent in “trimming the fat” of the bloated Ghanaian state propelled citizens to withdraw from the formal sphere. Their ranks grew to include farmers, labourers, professionals, government employees, and students.²⁰⁷ Local subsistence production and consumption resisted government efforts to set prices.

Nevertheless, the close articulation of deviant “parallel systems” with willing government participants meant that citizens “did not relinquish their ties with the centre in the economic or cultural spheres.”²⁰⁸ When Azarya and Chazan identified the disengagement phenomenon in 1987, Ghana had not seen a complete retrenchment of the state apparatus from the livelihoods of citizens or the complete parallel development of an unregulated informal sphere to serve their needs. The flowering of associational life that came with disengagement played an important role in Ghanaian democratization, but only because Ghanaian state-society relations were never completely severed. Indeed, “the foundation was prepared at this juncture for a more fundamental reordering of power

²⁰⁶ Ibid.: 124.

²⁰⁷ Ibid.: 126.

²⁰⁸ Ibid.: 128.

relations between state and society.”²⁰⁹ To understand why this is the case, it is necessary to consider the mitigating effects of international commitment to cushioned economic adjustment after the initial years of ERP.

The international image of Ghana as “star pupil” was, to an important extent, a self-fulfilling prophecy. After 1986, the international financial institutions added greater flexibility to their reform programs, and Ghana benefited heavily. In a loosening of earlier austerity policies, the state was allowed a larger budget and higher deficits. Ghana was the first African country to enjoy targeted international aid for social sector projects, with UNICEF and the World Bank introducing the Program of Action to Mitigate the Social Costs of Adjustment (PAMSCAD).²¹⁰ Faced with adjustment setbacks across the continent, the international financial community had a vested interest in seeing Ghana succeed; failures elsewhere were “ruining the [IMF’s] reputation in Africa in the mid-1980s.”²¹¹

As a result, Ghana saw the confluence of two key factors. International commitment to Ghana made the adjustment experience less harsh, allowing the state to retain a role in the livelihood of its citizens despite the retrenchment of the

²⁰⁹ Naomi Chazan and Donald Rothchild, “The Political Repercussions of Economic Malaise,” in *Hemmed In: Responses to Africa’s Economic Decline*, ed. Thomas M. Callaghy and John Ravenhill (New York: Columbia University Press, 1993), 183.

²¹⁰ Matthew Martin, “Neither Phoenix nor Icarus: Negotiating Economic Reform in Ghana and Zambia, 1983-1992,” in *Hemmed In: Responses to Africa’s Economic Decline*, ed. Thomas M. Callaghy and John Ravenhill (New York: Columbia University Press, 1993), 162.

²¹¹ *Ibid.*, 164.}

public sector. At the same time, the unavoidable hardships of economic decline and initial austerity measures pushed “social groups... to take advantage of local initiatives to expand the informal economy, generate a new breed of entrepreneurs, and enrich associational life.” This had the effect of creating “discrete political spaces at the state and societal levels.”²¹²

A few years after increased international commitment allowed Ghana to cushion its reform program, Rawlings launched a tightly controlled, top-down political reform program. In the 1992 elections, he was resoundingly elected to the office of President while the PNDC, reconstituted in party form as the (non-provisional) National Democratic Congress (NDC), won the parliamentary elections.²¹³ Rawlings’ election indicated that Ghana’s transition to democracy was unfinished, but John Kufuor’s 2000 victory over the NDC candidate gave Ghana a peaceful handover of power and reflected the growing consolidation of democratic rule.²¹⁴ Civil society played an important role in the election, a role that is hard to imagine without the flowering of associational activity that began with disengagement in the late 1980s. Local groups trained election observers,

²¹² Chazan and Rothchild, 183.

²¹³ Jeffrey Herbst, “The Dilemmas of Explaining Political Upheaval: Ghana in Comparative Perspective.” In Jennifer A. Widner, ed. *Economic Change and Political Liberalization in Sub-Saharan Africa* (Baltimore: The Johns Hopkins University Press, 1994), 185.

²¹⁴ E. Gyimah-Boadi, “A Peaceful Turnover in Ghana,” *Journal of Democracy* 12, 2 (2001), 102.

independent media engaged in voter education, and all pushed political figures to avoid violence.²¹⁵

Ghana's vibrant society ensured that its transition to democracy survived the initial Rawlings-controlled, top-down opening and persisted into the consolidation phase. Tough economic reform had a limited disengagement effect, strengthening associational life even as it pushed society away from the state. Concurrently, sustained international support for a socially minded, softened structural adjustment after 1986 ensured that state-society relations were not entirely severed and that a reinvigorated civil society would retain interest in the formal political sphere and play an important role in the democratization process.

b) State-society rupture and persistent authoritarianism in Zambia

Nicholas Van de Walle gives a damning indictment of economic reform under Zambia's Kenneth Kaunda, writing that it "promoted rent-seeking, inefficiency, and little economic development."²¹⁶ To this record, we can add a halting trajectory of democratic transition and a failure to consolidate democratic rule. In deciphering why economic reform and democratization did not "go together" in Zambia, the intermediate variables identified here are crucial. Unlike Ghana, Zambia experienced state-society rupture and low levels of commitment from the international financial community in mitigating the social impacts of

²¹⁵ Ibid., 110-111.

²¹⁶ Nicholas van de Walle, "Economic Reform and the Consolidation of Democracy in Africa," in Marina Ottaway, ed. *Democracy in Africa: The Hard Road Ahead* (Boulder: Lynne Rienner, 1997), 29.

structural adjustment. Rupture meant that the vibrant informal spaces in Zambia were more dislocated from formal political life than their Ghanaian homologues.

Zambia also experienced the Africa-wide stimulus of 1980s economic changes, although its Radical Reform Program (RRP) began later than Ghana's. Kaunda introduced the RRP in 1985, aiming to liberalize the economy and achieve fiscal and monetary stabilization. Quickly, the liberalization of the maize market and removal of government consumer subsidies for maize sparked unrest, and Kaunda promptly reversed the measures.²¹⁷ "Rather than accept the diktat of the IFIs," Kaunda's Zambia withdrew the RRP and spurned the donor assistance riding on it.²¹⁸ Despite limited reconciliation with the IMF and a renewed loan program in 1990, Kaunda shrunk repeatedly from maize subsidy reform at the threat of new rioting.

Why did Zambia's experience prove so much more challenging than Ghana's? Again, the exogenous international role is key. Martin finds that "flexibility came too late to save Zambia's program."²¹⁹ The December 1986 Policy Framework Paper between Zambia and the IMF allowed insufficient leeway for Kaunda to moderate the rise of maize prices, leading him to abandon it when the riots struck. In subsequent years, Zambia had a very small taste of the socially aware adjustment programs that were so important in Ghana. The IMF allowed a slight delay in maize price increases and trade liberalization in 1990-91,

²¹⁷ Ibid., 29.

²¹⁸ Ibid., 30.

²¹⁹ Martin, "Neither Phoenix nor Icarus," 163.

but this proved insufficient to tame Kaunda's sensitive domestic constituencies. On the whole, the institutions' policies on Zambia focused on continuous, rapid adjustment with little attention to mitigating its harsh short-term effects.²²⁰

Indeed, continued economic stagnation took a serious toll on Zambian state-society relations. Like in Ghana, disengagement from shrinking, less effective state institutions caused a growth of unregulated activity, but the lack of international support for a cushioned transition made this rupture more severe. A severe drought hit Zambia in 1991—the worst in Southern Africa for a century—and the state “withdrew from agricultural financing and marketing” just as farmers faced despair.²²¹ Economic slump in the rural periphery reflected the inability of the state to perform regulatory functions, and had important consequences for public engagement in formal political life. For David Simon, poverty undermined belief in the “efficacy of political action,” “[detering] political participation” and “making electoral strategies like vote-buying feasible.”²²² Difficult conditions made Zambians turn to local structures at the expense of a discredited, enfeebled state apparatus; the associational vigour that came with limited disengagement in Ghana found itself directed inward in Zambia.

²²⁰ Ibid., 163-64.

²²¹ David J. Simon, "Democracy Unrealized: Zambia's Third Republic under Frederick Chiluba," in *The Fate of Africa's Democratic Experiments*, ed. Leonardo A. Villalon and Peter VonDoepp (Bloomington: Indiana University Press, 2005), 212.

²²² Ibid., 213.

Economic dislocation had a dramatic, but deceptive, impact on rapid democratic *transition* from the Kaunda regime to a democratically elected government under Frederick Chiluba. Indeed, Kaunda was the first “nationalist founding father” of an African regime to fall and Zambia the first anglophone African country to undergo transition.²²³ Quite simply, when the regime’s supporters “could no longer afford the price of maize meal and were reduced to eating a single meal a day, they blamed Kaunda.”²²⁴ Chiluba rode to power on a wave of popular protest from his base as leader of the Zambia Congress of Trade Unions (ZCTU). Yet, despite the important role of civil society and grassroots organizing in propelling Chiluba’s Movement for Multiparty Democracy (MMD) to electoral victory in 1991, the state-society rupture that emerged under Kaunda continued to mar the country’s politics and sap the vigour of popular mobilization. The economy remained bankrupt, and while “the electorate continued to look to the state to feed it,” this service provision was neither forthcoming nor possible.

In the context of continued economic crisis, Zambian democracy deteriorated despite its outwardly promising 1991 beginnings. Chiluba spent ten years in office, handily winning a “flawed and controversial” re-election in 1996; his successor Levy Mwanawasa’s 2001 election brought similar criticism.²²⁵

²²³ Michael Bratton, "Economic Crisis and Political Realignment in Zambia," in *Economic Change and Political Liberalization in Sub-Saharan Africa*, ed. Jennifer A. Widner (Baltimore: The Johns Hopkins University Press, 1994), 101.

²²⁴ *Ibid.*, 102.

²²⁵ Simon, "Democracy Unrealized," 199.

Economic crisis perpetuated the patterns of neopatrimonial authority that characterized Kaunda's time in office. Simon notes that the dearth of economic activity meant that political connections were one of very few routes to wealth accumulation, and that MMD politicians "have individually benefited from the privatization of formerly state-owned enterprises."²²⁶ As a result, "Zambian economic conditions continue to pose barriers to democratic consolidation."²²⁷ This is related directly to the two intermediate variables identified here: the lack of international support for flexible, softened structural adjustment, and the unmitigated disengagement into the informal sphere that produced a lasting scar of state-society rupture.

Current developments in Zambia point to the continuing conflict between economic reform and democracy. Popular demonstrations in 2002 led President Mwanawasa's government to cancel the planned privatization of the Zambia National Commercial Bank (ZNCB), only to announce a back-door "commercialization" of the venture one year later that would see 49 percent of its shares, and de facto control, sold to a South African commercial bank.²²⁸ This is the latest in a series of privatizations that has benefited a small circle of Zambian elites, often with the sale revenues disappearing from government coffers.²²⁹ The pivotal sale of Zambia Consolidated Copper Mines (ZCCM), begun in 1997,

²²⁶ Ibid., 213.

²²⁷ Ibid., 216.

²²⁸ Miles Larmer, "Reaction and Resistance to Neo-Liberalism in Zambia," *Review of African Political Economy* 103 (2005): 29.

²²⁹ Ibid.: 31.

breached government requirements for transparency in bidding, stakeholder consultation, and consideration of social and environmental impacts.²³⁰ Mwanawasa, in an ironic turn, has rehabilitated Kaunda's standing in public life, consulting him publicly and calling for national unity on a project of "development" he sees as an "unproblematic technical issue," recalling the days when Africa's pre-democratic regimes placed technocrats in control of economic policy with little consultation.²³¹

In sum, continued economic liberalization in Zambia has reinforced the persistently authoritarian character of its government. The contrasting operation of two intermediate variables helped reverse the development-democracy synergy observed in Ghana and produce this specifically Zambian outcome. First, inflexible and limited international commitment to structural adjustment and to smoothing its rough patches helped maize riots put an end to successful reform under Kaunda. Second, this reform program increased disengagement from the formal political sphere, with continued economic crisis prompting an early democratic *transition* while damaging prospects for consolidation and abetting the subtle return of authoritarianism. This mechanism helps explain the authoritarianism-"development" circle that continues to characterize Zambian politics.

²³⁰ Ibid.: 32.

²³¹ Ibid.: 41.

V. Taking stock of persistent authoritarianism

We know from anti-globalization protests, taxing experiences with structural adjustment, and continued economic malaise in the third world that the Washington Consensus view on development comes with caveats. In this sense, the theoretical contribution made here joins a chorus of voices elaborating the conditions that make development, democracy, and societal vibrancy hang together or fall apart.

What should distinguish the present study is its concern with theory building in the discipline as well as empirically grounded findings about individual cases. The analysis presented is not quantitative, nor does it challenge the conventional wisdom that in the aggregate, increasing levels of socioeconomic development are a powerful predictor of political freedom. Nevertheless, using regression coefficients to explain social actors' behaviour and the highly contingent, slow-moving structural processes at work in third world societies is an inadequate path, in itself, to knowledge accumulation. The avowedly comparative-historical methodology employed here, and the structuralist meta-theory informing my conclusions, respects the top-level quantitative findings on development and democracy while fleshing out the more complex political processes at lower levels of abstraction. This work is a contribution to *middle-level* theory building, in that it has no pretensions to the all-encompassing scope of large-N quantitative work, but affords increased explanatory power of individual case dynamics.

State-society relations and trajectories of state-directed development go a long way to explaining persistent authoritarianism in the Middle East. In my exposition, this theoretical result eschews an overly positivistic perspective on its broader operation. State-society rupture and state-business collusion will not necessarily stimulate authoritarian relapse if applied to a randomly selected polity; such a conclusion is beyond my theoretical reach, and perhaps that of social science in general.

Instead, I claim a more modest generalizability. In contemporary third world countries navigating the treacherous shoals of late-late development and pressures for political reform, two critical junctures are of paramount importance. The first relates to my argument about development and democracy, and is squarely situated at the outset of economic liberalization. Opaque liberalizations that institute state-business collusion as an “in” to the new private economy have an intense structuring effect on further economic reform. Countries following the trajectory of state-directed development found in Egypt, and in the broader Middle East, will exhibit the democracy-damaging outcome of pro-authoritarian, regime-tailored economic opening. To use a classic Huntingtonian formulation, the “good things” of political freedom and economic development will refuse to “go together.”²³²

In cases like Thailand, where more transparent development trajectories put middle class interests in direct opposition to authoritarian rule, different constellations of social forces will arise. The apparent reversibility of pro-

²³² Samuel Huntington, *Political Order in Changing Societies* (New Haven: Yale University Press, 1968).

democratic bourgeois orientation – as demonstrated in the 2006 Thai coup – warrants a measure of caution and another of hope for democratic reformers. Bourgeois are contingent democrats, and in a shaky political environment their support for democracy can never be taken for granted.

However, that very contingency of orientation is proof that hardening business support for authoritarianism, too, is not irreversible. As the critical junctures that crystallized bourgeois preference formation recede further into the past, the structural foundations for private sector support of Middle Eastern authoritarianism harden. Nevertheless, the comparative perspective offered here shows that the assumption of stable outcomes can be proved shockingly wrong with little warning, and even less mercy for erstwhile dominant leaders like Thailand's Thaksin. My forecast is for continued Middle Eastern business-state collusion in the short to medium term, but I acknowledge a non-zero probability of fresh de-stabilizing developments in the region.

Unlike a few Beltway hold-outs, however, I entirely exclude the Bush administration's moribund Middle East democracy promotion efforts from this estimation. If change comes, it will almost certainly be from within. In this regard, there is room in the discipline for closer investigation of business-state politics in the Middle East. The research presented here relies on the public record and on the explorations of determined scholars; access to business circles,

bureaucratic connections, and national archives may well yield even more conclusive empirical proof.²³³

A second critical juncture for eager democratizers to steer clear of is state-society rupture. As the successful transition to democracy in Ghana shows, the key consideration here is one of degree. Informality fosters renewed social capital. If a circumscribed period of state retrenchment and service cutbacks can strengthen civil society without severing completely its links to formal political life, periods of limited state-society rupture may actually enrich future democratization.

However, to put it baldly, too much informality – and, contra Robert Putnam, too much social capital²³⁴ – can be a bad thing if it entails rupture with formal institutions and near-total disengagement from the state. Informality keeps the Egyptian economy running along despite predictions of disaster, but its political consequences have been deleterious. It explains what sometimes seems a baffling capacity to make ends meet against all odds, even as it robs its beneficiaries of a meaningful political role in mass society. Politics comes to count for nothing tangible, and so does “democracy.” In cases that have undergone a previous democratic transition, like Zambia, this kind of state-society

²³³ Attention to the Arab private sector has intensified in this decade; see El-Meehy, “State, Private Industry and Economic Liberalization in Egypt”, Pete Moore, *Doing Business in the Middle East: Politics and Economic Crisis in Jordan and Kuwait* (Cambridge: Cambridge University Press, 2004).

²³⁴ The idea that one could have *too much* social capital seems entirely alien in Robert Putnam, *Making Democracy Work: Civic Traditions in Modern Italy* (Princeton: Princeton University Press, 1994).

rupture can pollute the quality of democracy and exhume the ghosts of authoritarian rule.

To be sure, my two arguments fall short of a complete explanation for Middle Eastern authoritarianism. While a full account of the causal relationship is beyond the scope of this study, a number of complementary research paths exist. In addition to my focus on social actors and political economy factors, attention is due to government structures, regional conflict, and international factors.²³⁵ We know from elsewhere in the third world that a legacy of strong parties and strong states helps to explain exceptional state coercion,²³⁶ successful state-directed development,²³⁷ and the degree of socioeconomic inequality that development engenders.²³⁸ Egypt's New Democratic Party (NDP) and the bureaucratic morass it presides over has been, in its various iterations, a pillar of authoritarianism since Nasser's time. Probing the heart of the state apparatus is essential to a full account of Egyptian persistent authoritarianism, and an important counterpart to this study's focus on the sites of interconnection between that state and its increasingly compartmentalized, "ruralized" society.

²³⁵ For a sketch of these avenues, see Rex Brynen, "Reforming the Middle East: Policies and Paradoxes" (paper presented at the Stability in the Middle East conference, Center for Eurasian Studies, Ankara, 25-26 October 2004).

²³⁶ Jason Brownlee, "...And yet They Persist: Explaining Survival and Transition in Neopatrimonial Regimes," *Studies in Comparative International Development* 37, no. 3 (2002).

²³⁷ Atul Kohli, *State-Directed Development: Political Power and Industrialization in the Global Periphery* (Cambridge: Cambridge University Press, 2004).

²³⁸ Erik Martinez Kuhonta, "The Political Foundations of Equitable Development: State and Party Formation in Malaysia and Thailand" (Princeton University, 2003).

Furthermore, it remains clear that regional instability is a boon to the Middle East's rulers. As long as the Israeli-Palestinian conflict continues, regimes like Mubarak's retain a useful target for externalization of popular discontent. The security environment remains in flux, justifying defence expenditures that, while relatively low in raw terms, are strikingly high as a percentage of national expenditure in the Middle East.²³⁹ Besides preserving the rationale for "fierce," coercive Arab regimes, instability produces a comparison effect that benefits their leaders. Faced with ongoing chaos in Iraq, a polity where democracy was installed; the memory of bloodshed following elections in Algeria; and the democratic election of radical groups like Hamas in Palestine and divisive figures like President Ahmedinejad of Iran, it is no surprise that for many Arabs, democracy's connotations can be far from dovish. In this light, an undemocratic, inefficient yet relatively peaceful domestic environment can seem like a blessing.

My findings also support a reformulation of the slightly passé Middle East studies debate on civil society and democratization to fit the new research agenda on persistent authoritarianism. "Civil society" is a famously amorphous concept, and this alone can accommodate near-infinite lines of argument about its democratic or non-democratic tendencies. Yet whichever definition one chooses, it is clear that the social capital most scholars associate with civil society vibrancy has a deeply uncertain regime-type dividend. Whether or not we agree with Putnam on the explanatory power of social capital in accounting for well-oiled democratic institutions in Northern Italy and creaking bureaucracy in the

²³⁹ Brynen, "Reforming the Middle East: Policies and Paradoxes", 11.

mezzogiorno,²⁴⁰ it is hard to dispute Jamal's argument that intense government regulation has emasculated Arab civil society as an agent for democratization.²⁴¹

The present study, however, calls for an even larger degree of skepticism and a corresponding program of critical research. In conditions of state-society rupture, strong social capital can reinforce depoliticization, apathy, and disengagement from formal political institutions. This engenders an increasing staleness in formal political life that authoritarian leaders are only too happy to preside over. Based on the case studies considered here, there appears to be a Rubicon level of state-society rupture – somewhere between the level of Ghana in the late 1980s on the one hand, and Zambia and Egypt on the other – beyond which disconnection from the formal realm counteracts the democracy-enriching effect of a strong civil society. How authentic a Rubicon-crossing this level of rupture can become, and the possibilities for societies to reverse a slide into ruptured depoliticization, are topics for further research.

Lastly, the familiar refrain of Western responsibility for Arab problems still has some currency. The Bush administration's brief phase of anti-authoritarian rhetoric has failed to change long-standing American aid policy on Egypt. The Camp David billions continue to flow, supplying valuable foreign exchange and helping foot the bill for Mubarak's strategic patronage. And certainly, if democratic elections in Algeria, Iraq, Iran and the Palestinian territories gave many ordinary Arabs pause, they alarmed American policy-makers even more. Mubarak and his counterparts are the most reliable defence

²⁴⁰ Putnam, *Making Democracy Work: Civic Traditions in Modern Italy*.

²⁴¹ Jamal, *Barriers to Democracy*.

against Islamist agitation – not to mention willing prison wardens for extraordinary rendition and good old-fashioned torture – that the United States has. The prosecution of the “war on terror,” hobbled as it has been by the disintegrating situation in Iraq, would be definitively devastated if democratic elections or coups d’état brought hostile regimes to power in the Arab world. There, where part of the September 11 attacks’ true provenance lies in disaffected Islamist radical populations, chaos would pose a challenge to American security that could prove near-insurmountable over the long term. It is not for nothing that the second-largest American embassy in the world, after Baghdad, is in Cairo. The United States needs Mubarak, or at least the regime that he leads, to survive.

The policy implications of this thesis, then, are far from encouraging for democrats. Yet, analyses of this sort show not only how systems endure, but also include the rudiments of a theory of change. There may be hope for Arab democracy yet, but the shackles of structure pose a formidable obstacle for pro-reform popular agency. Samuel Huntington’s famous 1968 case for the explanatory power of strong states and strong parties proves a useful guide for the study of authoritarian regimes, and for the individuals looking to challenge them.²⁴² The Mubarak regime will not crumble anytime soon, but cases like Thailand and Ghana show that the regime-type orientations of powerful social actors are malleable and that state-society rupture’s effects are not irreversibly anti-democratic. While Egypt’s 2005 move to a multi-candidate presidential system can be read as a modest democratic carrot to mollify regime critics, small

²⁴² Huntington, *Political Order in Changing Societies*.

changes are perhaps preferable to continued stasis. Nevertheless, democrats should remember that the institutional structures of persistent authoritarianism are coins that do not readily melt.²⁴³ The line of research presented here is one look at the fires in which they were forged.

²⁴³ The phrase is normally attributed to Joseph Schumpeter.

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