

Zeppelin University
Sociology, Politics & Economics

Economic Origins & Outcomes of the Arab Spring

Term Paper
in
Political Economy

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1 To Do (include points based on literature)

- structure of the economy / factor endowment
 - determines how easy it is to repress / redistribute
 - landowners are easier to tax because they cannot move their capital
 - landowners are on average richer than capitalists
- globalization
- which institutions are in place? What is their nature? (de facto, de jure) confer Why nations fail
- Collective Action Problem (!)
 - In the Arab Spring, it was solved also by social media, cf. Acemoglu 2018 Evidence from Arab Spring
- Cost and Benefits of Rev / Concessions
 - GDP per capita
 - GDP according to factor endowment
 - Unemployment per group which participated in the revolution -> no decrease for unemployment of the youth population -> hard to find evidence
 - Problematic of finding evidence?
 - Groups (demonstrators, military, ...)
 - political identities
 - Reliance on export -> instability (Diversification)
- international trade: dependence on international trade
- Fragen spezifizieren
- general weakness of civil society
- institutions (does an opposition exist?)

2 Introduction

The Arab Spring denotes a variety of regime critical protests, uprisings and armed rebellions that differ not only with respect to their magnitude ranging from local to nationwide activities. There have also been different outcomes in the countries, varying from minor governmental concessions in order to placate the people, to stronger reactions where the government has been overthrown. Others were descending into civil war, and yet other countries reverted to autocratic regimes. Consequently, there was not only a high variability in the degree of social unrest among the affected countries. There are also remarkable difference regarding how the distribution of political power of economic resources was changed during the events of the Arab Spring. How can those difference among countries be explained?

Acemoglu and Robinson's (2006) "Economic Origins of Dictatorship and Democracy" account is promising point of departure. First, this paper seeks to apply the theoretical framework of Acemoglu & Robinson (2006) in order to better understand under which circumstances regime critical movements occur. Second, this paper seeks to put their theoretical considerations into an empirical test.

Tunisia, for example, experienced severe protests among the civil society that were undeniably accompanied by a transition towards a set of more democratic institutions. Similarly, there were also severe protests in Egypt that were followed by a government change. How to explain the differences among those countries regarding the severeness of the regime critical movements and the outcomes of the Arab Spring?

However, there is no evidence that the regime change actually improved the situation of the population in terms of economic welfare or political influence.

In contrast to these cases Djibouti, Jordan, Kuwait, Morocco, Mauretania and Oman experienced protests

Most interestingly, the monarchies of the United Arab Emirates and Katar experienced no protests, but reacted with a raise in wages and provided new jobs in the public sector. there were only minor protests in Saudi Arabia and Bahrain that were violently repressed by the incumbent regimes and there were no concessions made.

In fact, economic aspects have been one of the main explanations for the political unrest during the Arab Spring used not only by many scholars, but also by the media. *The Economist's* "Shoe thrower's Index" is a noteworthy example. Youth population, years of government in power, corruption, GDP per capita, and several other indicators were assumed to measure the Arab countries' vulnerability for a revolution.¹ It turns out that the potential for unrest in the Arab world in 2010 was highest in Yemen, Libya, Egypt and Syria, while countries like Qatar, Kuwait, United Arab Emirates and Lebanon had the lowest scores (The Economist 2011: 26). Even though the index lacks of theoretical backing, not only its predictions of social unrest are empirically supported (see Appendix² of this Paper). The scientific literature supports some of the indicators used by the Economist (see Chapter). Consequently, the economic situation seems indeed to be a suitable indicator for social unrest. However, the economic origins of the regime critical movements need to be studied in more detail and from the perspective of a more systematic approach. Moreover, it remains unclear

The question under which conditions these regime changes occur and consolidate is interesting both theoretically and empirically.

¹<http://www.geocurrents.info/geopolitics/the-economists-shoe-throwers-index-a-success>

²The appendix of this paper contains an overview of the major events and outcomes of the Arab Spring for each country provided by the "Bundeszentrale für politische Bildung", a federal public authority providing citizenship education and information on political issues for all people in Germany.

The focus of this paper is to relate Acemoglu and Robinson's (2006) theoretical account to empirical findings on economic origins and outcomes of the Arabic Spring from existing literature and key economic indicators taken from the World Bank's database. Still, this interpretative approach provides evidence for Acemoglu and Robinson's theoretical framework that can be put to test with a more elaborated methodological approach.

- mention that I will mainly discuss nondemocracies
- mention that I will exclude countries that descended in civil war Yemen, Libya, Syria
- power centred in small groups closely connected to Mubarak in Egypt or Ben Ali in Tunisia, people were not given enough
- concessions from the Mubarak regime were not credible
- ultimately, like in the case of Britain transitions to democracy mean economic growth
- this is unlike the situation where power shifts simply from one elite group to another

Monarchies - Oman (Sultan) -

3 Economic Origins of Democracy and Dictatorship

Acemoglu and Robinson (2006) provide a theoretical framework for analyzing the creation and consolidation of different political institutions from a game theoretical perspective. It implies strategic behavior of social groups with respect to the way they allocate political power and resources in a long term perspective. Democracy, on the one hand, is preferred by the majority of citizens due their gain of political influence on how resources are distributed in a society. On the other hand, nondemocratic regimes are preferred by the elites because resources and power are centered among few individuals.

3.1 The Revolution Constraint

In the absence of any checks on their power the elites would be eligible to choose the policies that are most beneficial to them (Ibid, 120). Since individual economic incentive determine political attitudes there would be no redistribution to the poor or the middle classes. In the terminology of Acemoglu and Robinson's model the elites, denoted by δ , would set tax rate τ^r equal to 0. However, the extent to which the elites are able to profit from their political power is restricted by the danger that other groups might attempt to overthrow the incumbent regime. It follows that the danger of a revolution puts a constraint on the policies of the elites in nondemocracy. In the first place, Acemoglu and Robinson (Ibid, 121) argue that the likelihood of a revolution depends on the citizens utility in terms of their income y^p before and after a successful revolution. Let $1 - \theta$ denote the total income accruing to the poor population, \bar{y} the average income and $1 - \delta$ the share of the total population that belongs to the poor. Then, the income of a poor agent before a revolution is given by

$$V^p = y^p = \frac{(1 - \theta)\bar{y}}{1 - \delta}.$$

However, revolutions are costly not only for the elite that loses their privileges in the existing regime. It is reasonable that revolutionary events imply disorder and destruction, so that the productivity of the economy

shrinks. Stated differently, there is a fraction μ that is destroyed during the revolution so that the rest $1 - \mu$ can be distributed among the poor. Thus, the utility $V^P(R, \mu)$ of a poor agent in the postrevolutionary society, conditional on that fraction μ , is given by

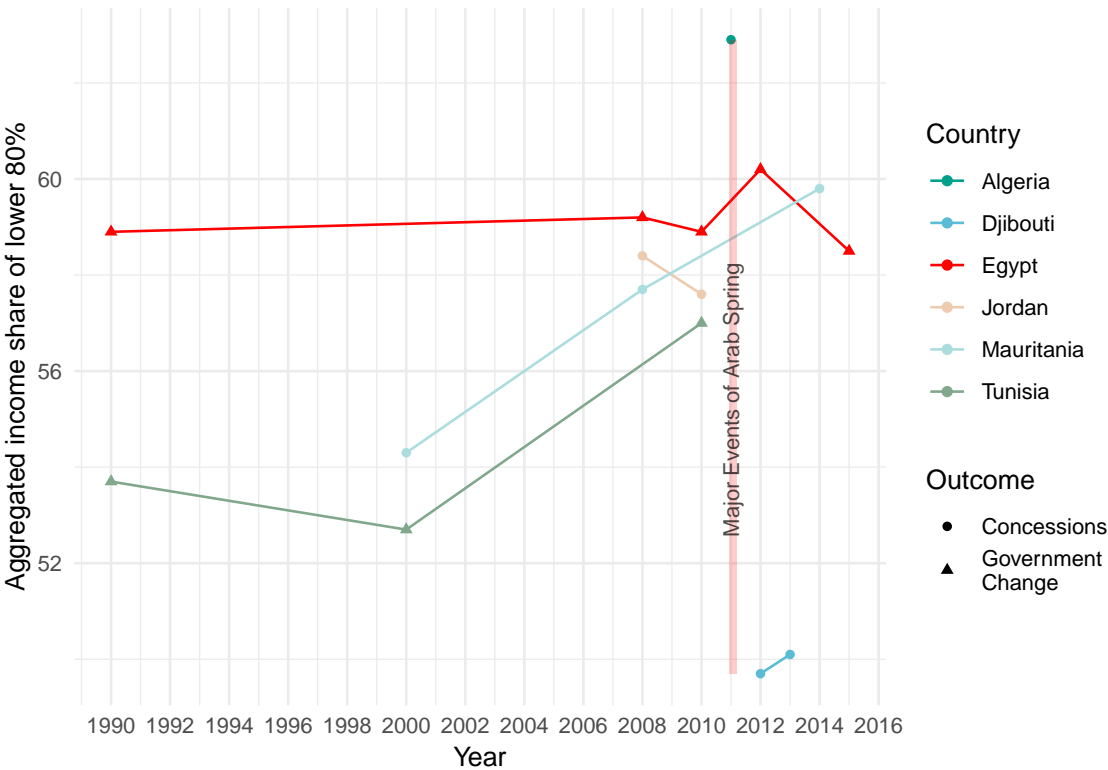
$$V^P(R, \mu) = \frac{(1 - \mu)\bar{y}}{1 - \delta}.$$

This indicates, that total income available denoted by $(1 - \mu)\bar{y}$ will be divided among the poor population $1 - \delta$. From these equations Acemoglu and Robinson derive the first result for nondemocracies: The extent to which the elites can define policies to their benefit is restricted by the utility of the poor. In other words, the revolution constraint binds if the potential income of a poor in a postrevolutionary society is greater than his current income y^P :

$$\frac{(1 - \mu)\bar{y}}{1 - \delta} > y^P$$

As explained in more detail in the appendix of this paper, this equation is equivalent to $\mu < \theta$.

This result implies that individuals behave strategically under conditions of complete information. On the one hand, this assumption allows the authors to create a model that allows to make prediction about the likelihood of a revolution based on economic indicators. On the other hand, the flexibility of the model achieved by this reduction of complexity requires the model to be tested empirically. Would the model have predicted the revolutionary movements of the Arab Spring?



\begin{figure}
\caption{Aggregated income share of lower 80%} \end{figure}

Although the relevant indicators are only available for Egypt and Djibouti, the World Bank database provides evidence for the hypothesized relation between the distribution of incomes and a countries vulnerability for revolutions. Indeed, figure 3.1 shows that the income share accruing to the lower 80% of Egypt's population

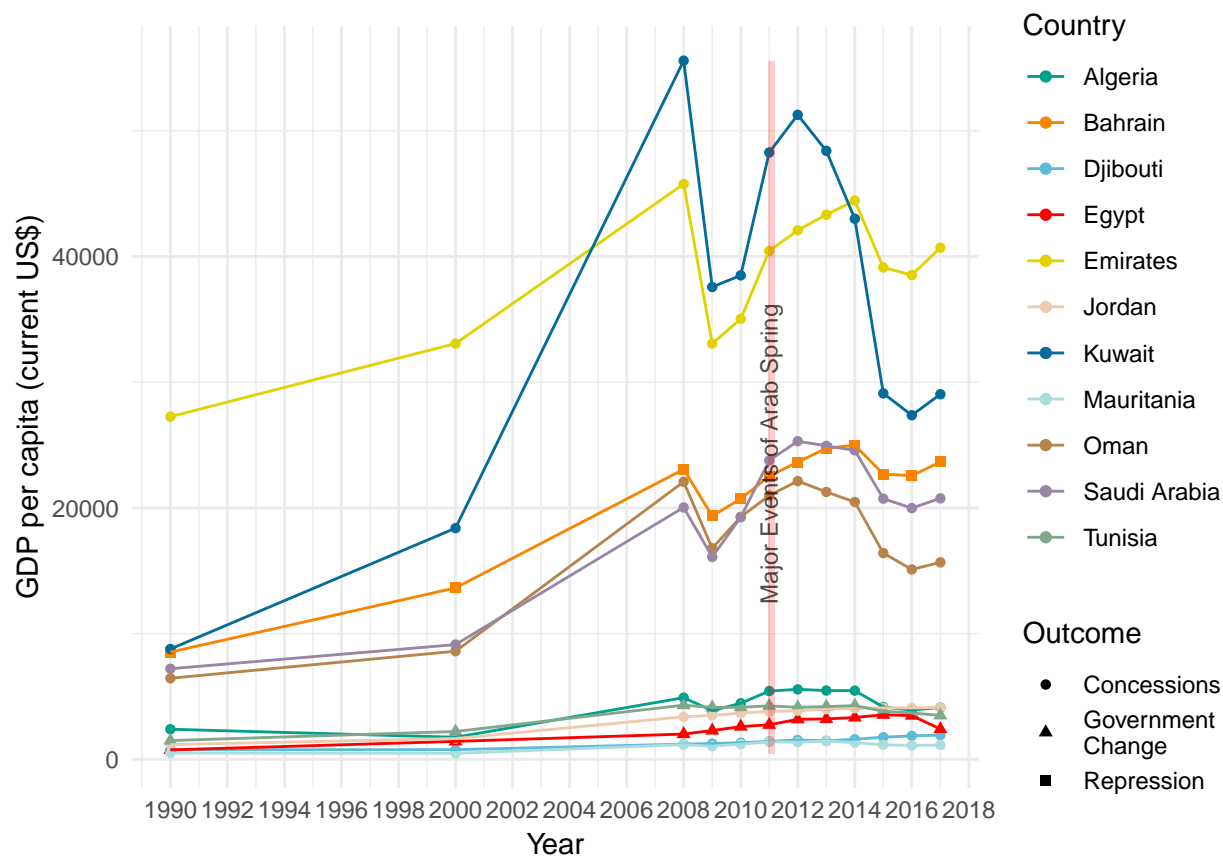


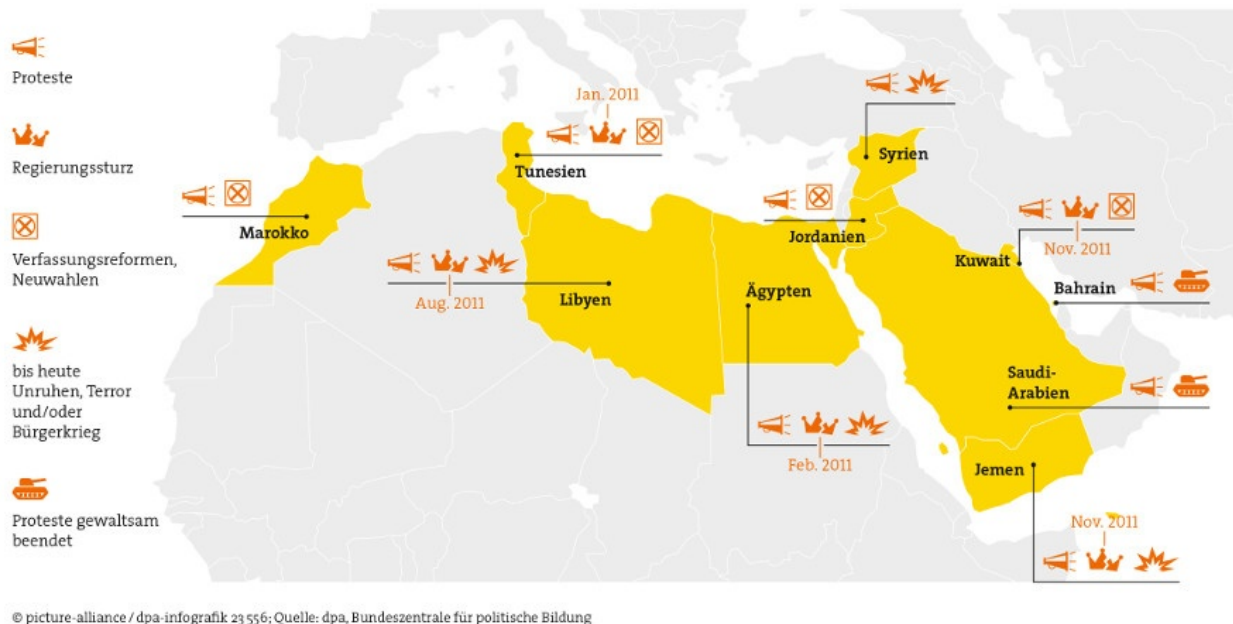
Figure 1: (#fig:plot GDP per capita)GDP per capita (current US\$)

increased from 58.9% in 2010 to 60.2% in 2012, one after the major events of the Arab Spring. This development generally supports Acemoglu and Robinson's idea that revolutions occur when citizens can reasonably assume to gain more than they lose. Notably, the incomes of the top 20% diminished in this period from 41.2% to 39.8%. Therefore, it seems reasonable that the improvement of the poor was at the expense of the elite. Undoubtedly, this variation might be due to other factors than to the consequences of the revolutionary movements. However, the literature generally supports this interpretation.

3.2 Collective Action Problem

Der Arabische Frühling und seine Folgen

Massenproteste und Rebellionen erschütterten ab Dezember 2010 die autokratischen Regierungen in diesen Ländern in Nordafrika und im Nahen Osten.



Therefore, in nondemocracies the elites might have the *de jure* political power that they allocate from the incumbent system. Nevertheless, citizens may obtain the *de facto* political power if they are able to coordinate their actions.

In order to prevent a revolution and to retain their power the elites will give political or economic concessions to majority. Thus, their model suggests that transitions towards democratic occur when the elites are forced to change the system to the benefit of the majority. These theoretical considerations allow to derive three hypotheses.

1. Since concessions that change institutions in a long term perspective towards democracy imply major losses to the elites, they should occur less frequently than policies that can be easily withdrawn when the *de facto* political shifts away from the citizens. (Mention period for observation)
2. Does the degree of inequality correspond to the severeness of revolutionary movements? Acemoglu and Robinson's model implies that only with a sufficiently high economic incentive the poor can solve the collective action problem. In other words: In countries with higher economic welfare accruing to the poor, political concessions by the incumbent regime were effective to calm down social unrest. In the contrary, lower economic welfare should be related to a higher degree of social unrest.
3. What are the economic consequences of a revolution? In the model of Acemoglu and Robinson individuals behave strategically under the conditions of complete information. It follows, that successful regime transitions towards more democratic political institutions should be related to higher share of available resources accruing to the poor in the years after the revolution. (Successful: Tunisia, Unsuccessful: Egypt, ...)

Additionally, transitions from autocratic regimes towards a set of more democratic institutions occur when the de facto political power is in the hands of the poor. This is only the case when they are able to resolve the collective action problem.

Groups derived from theoretical considerations (main building blocks) and divided by major and minor protests (successful or unsuccessful resolution of the collective action problem) - economic incentives - different interests of political outcomes - Political institutions play a central role in solving problems of commitment by affecting the future distribution of de jure political power.

The revolution is costly also for the citizens.

More specifically, the interest of this paper is twofold:

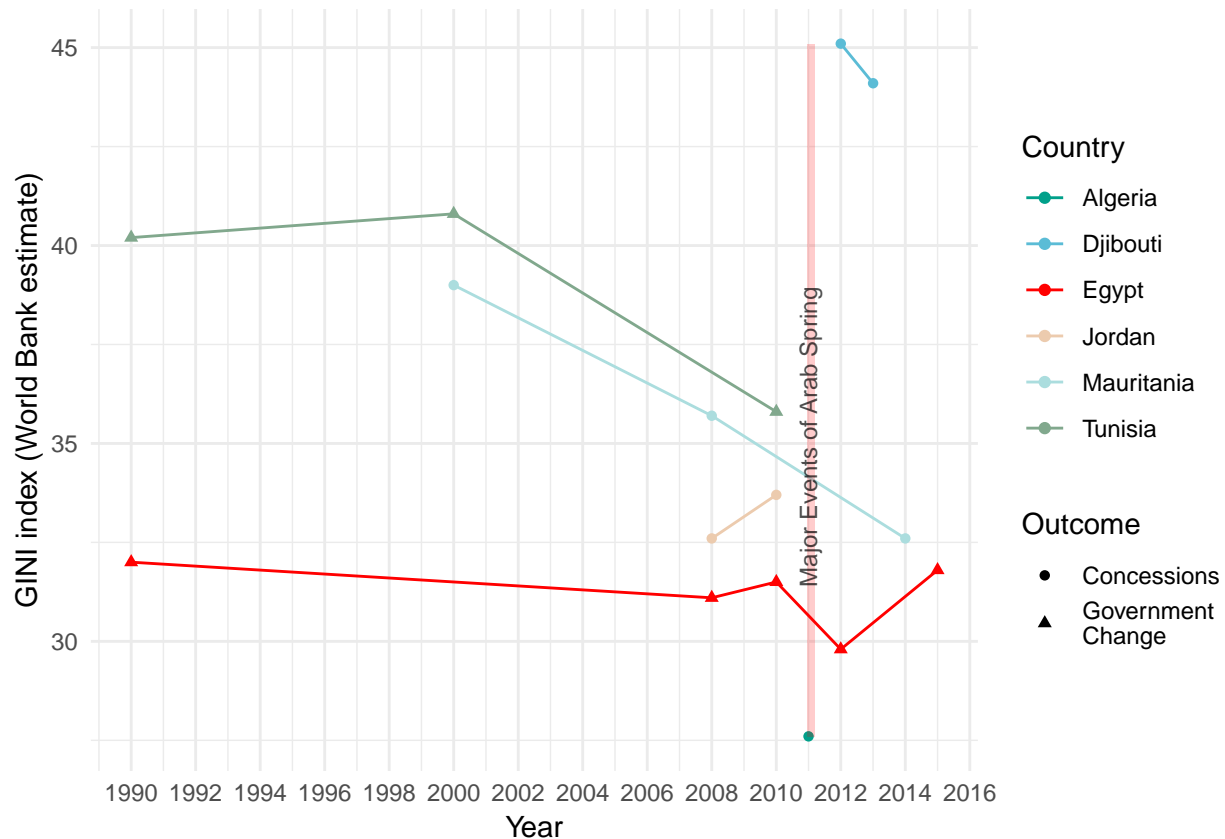


Figure 2: (#fig:plot gini index over years with major events)GINI index (World Bank estimate)

4 World Bank Data

4.1 Inequality

- Commitment problem: In Egypt inequality decreased after the events of the regime change but again increased afterwards
- Only one more observation that allows comparing before and after the political unrest: in Morocco there was no major change regarding inequality

4.2 Unemployment

- Tunisia: unemployment decreases
- Cost of Revolution: The result of the Arab Spring is a higher unemployment rate except for Morocco, Bahrain and Yemen the Arab
- Strongest increase in case of Syria, Tunisia (and Libya)
- Group differences: In those countries with lower unemployment concessions were made.

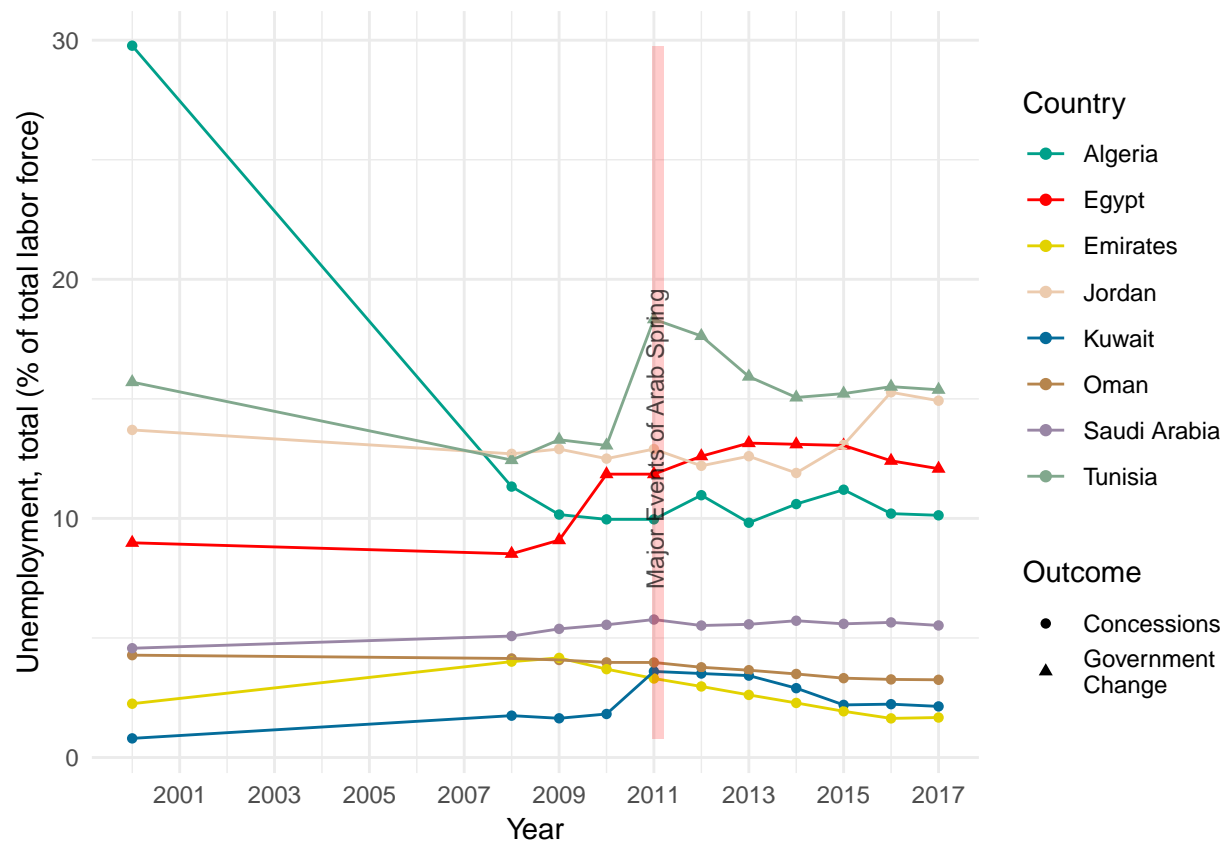


Figure 3: (#fig:plot unemployment total)Unemployment, total (% of total labor force) (modeled ILO estimate)

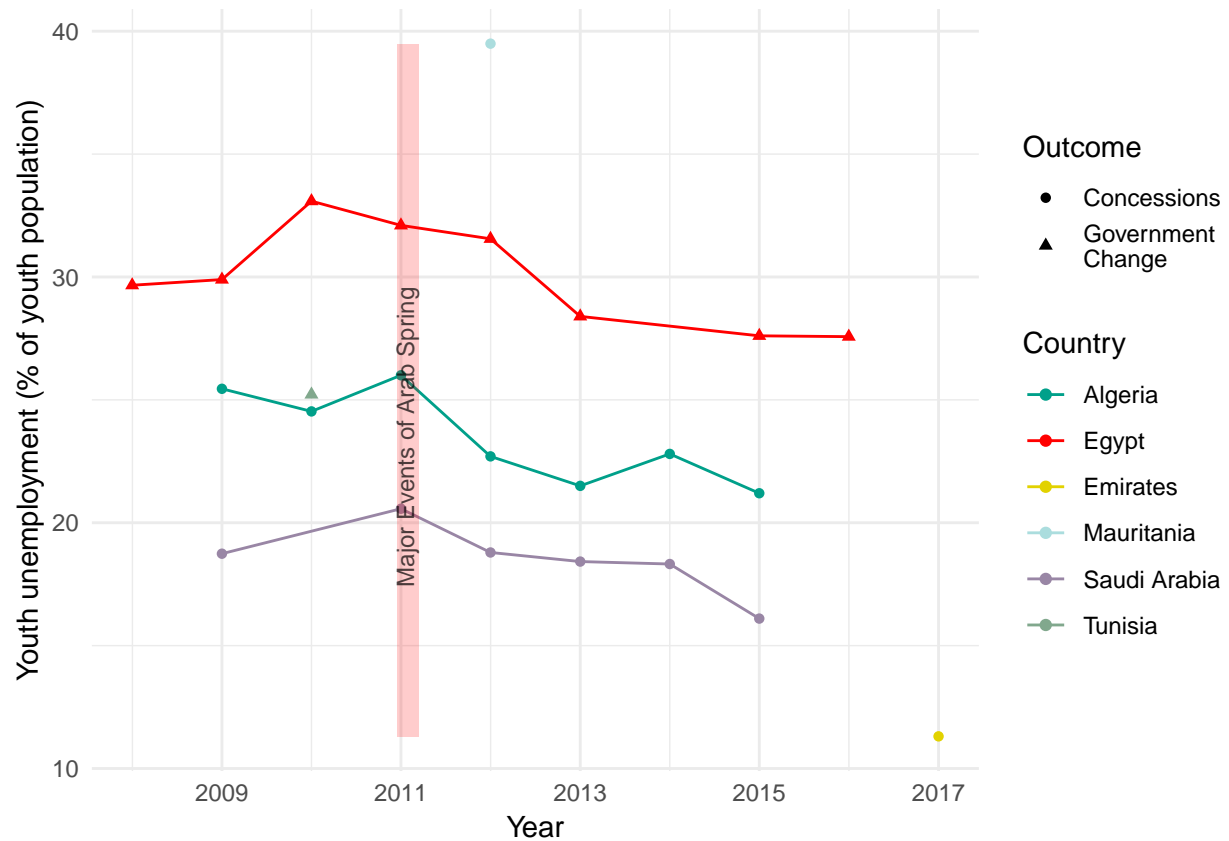


Figure 4: (#fig:plot youth unemployment)Share of youth not in education, employment or training, total (% of youth population)

- Explanation of social unrest: As supported by other sources younger population of Egypt suffered from high unemployment compared to the overall unemployment.
- Concessions and lower unemployment: Cost of revolution too high respectively economic incentive too low?

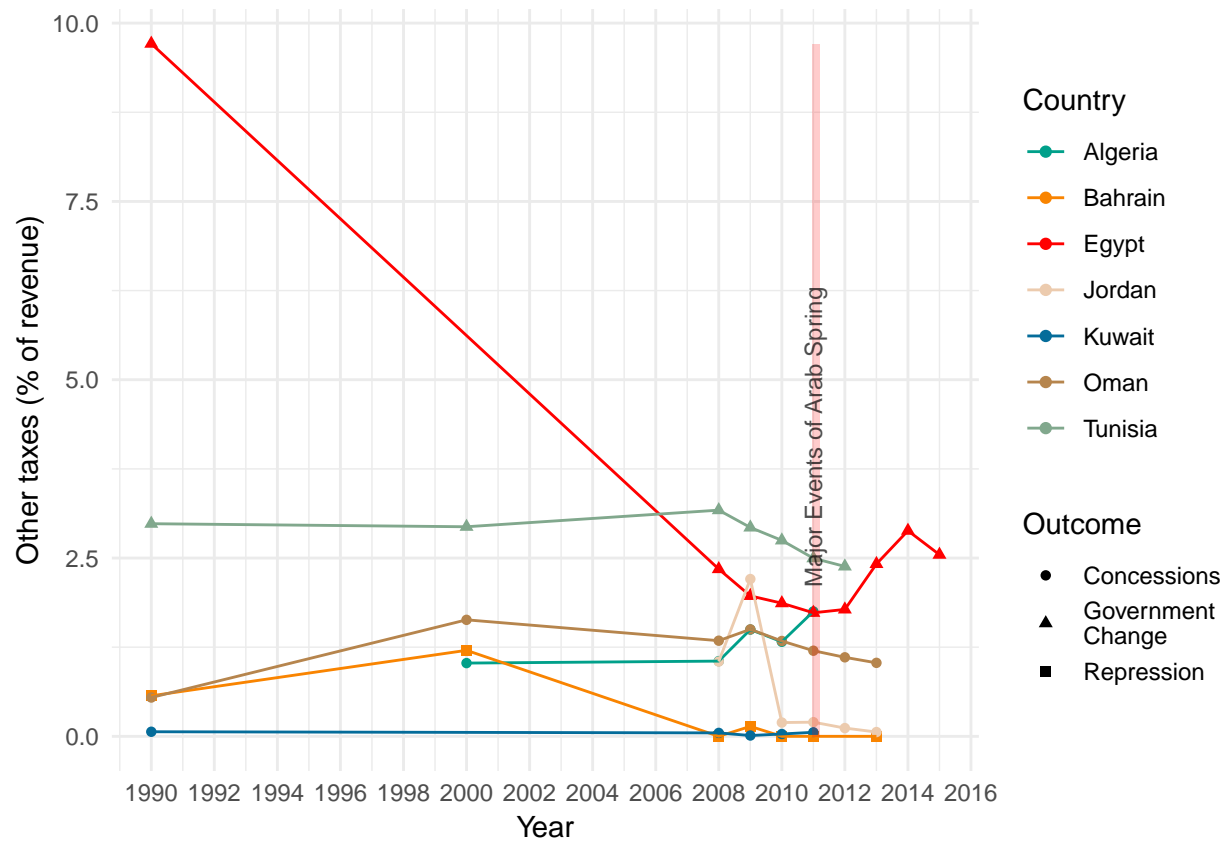
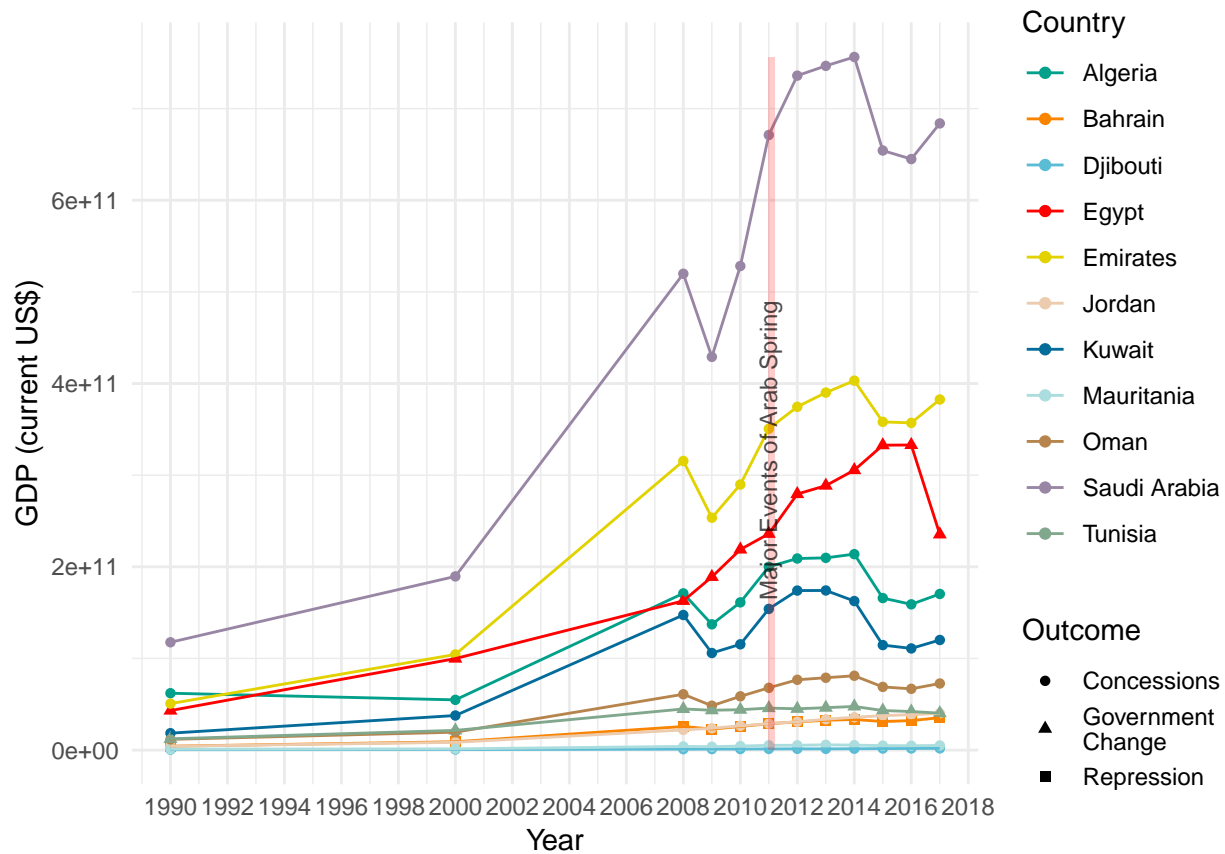


Figure 5: (#fig:plot other taxes)Other taxes (% of revenue)

- Definition: Other taxes include employer payroll or labor taxes, taxes on property, and taxes not allocable to other categories, such as penalties for late payment or nonpayment of taxes.
- increased in Egypt

4.3 GDP



4.4 Taxes (not necessarily related to the rich / poor)

- in case of Egypt, Bahrain and Tunisia tax rate increases with political unrest compared to period before
- in case of Jordan and Morocco the tax rate declines
- not necessarily correlated with political unrest: state could impose higher taxes due to the costs of the revolution also on the elites
- taxation that affects especially the rich population? Taxes on income, profits, and capital gains are levied on the actual or presumptive net income of individuals, on the profits of corporations and enterprises, and on capital gains, whether realized or not, on land, securities, and other assets. Intragovernmental payments are eliminated in consolidation.

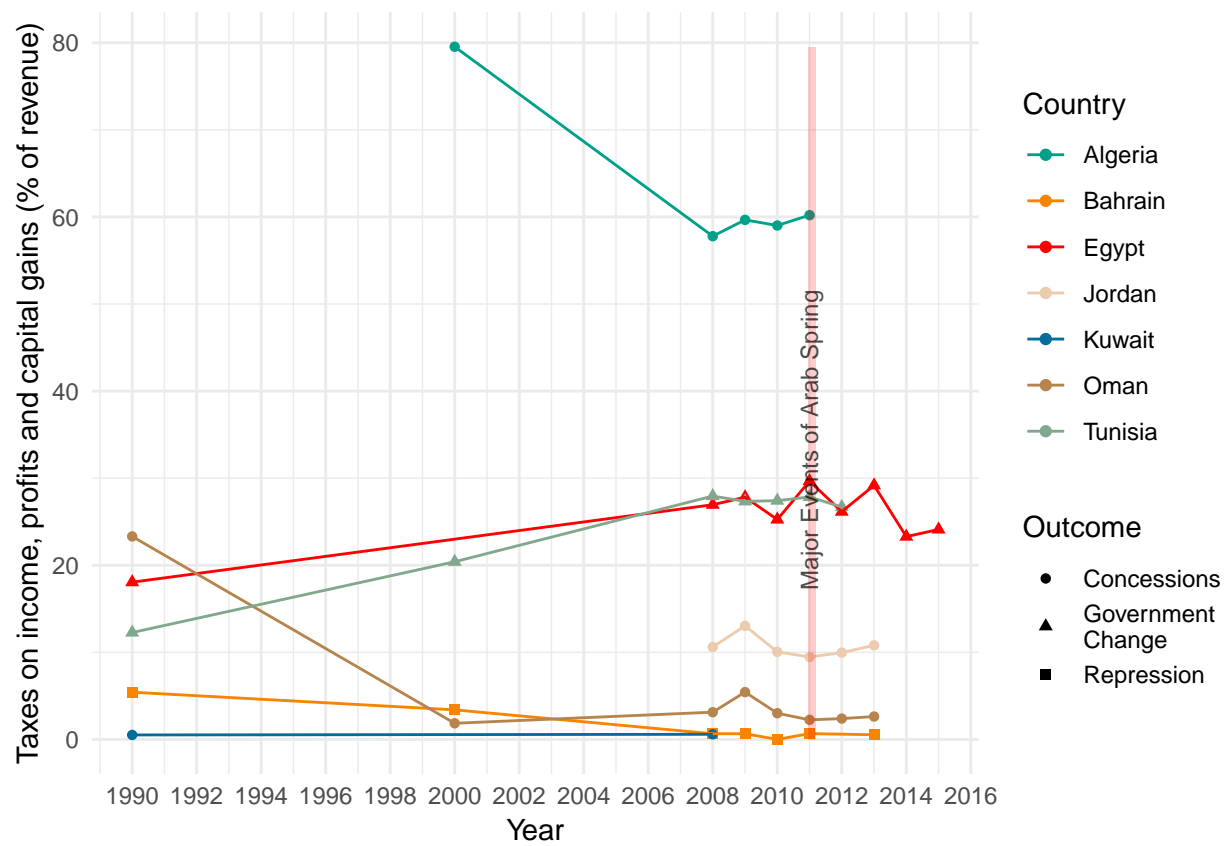


Figure 6: (#fig:plot taxes on income profits and capital gains) Taxes on income, profits and capital gains (% of revenue)

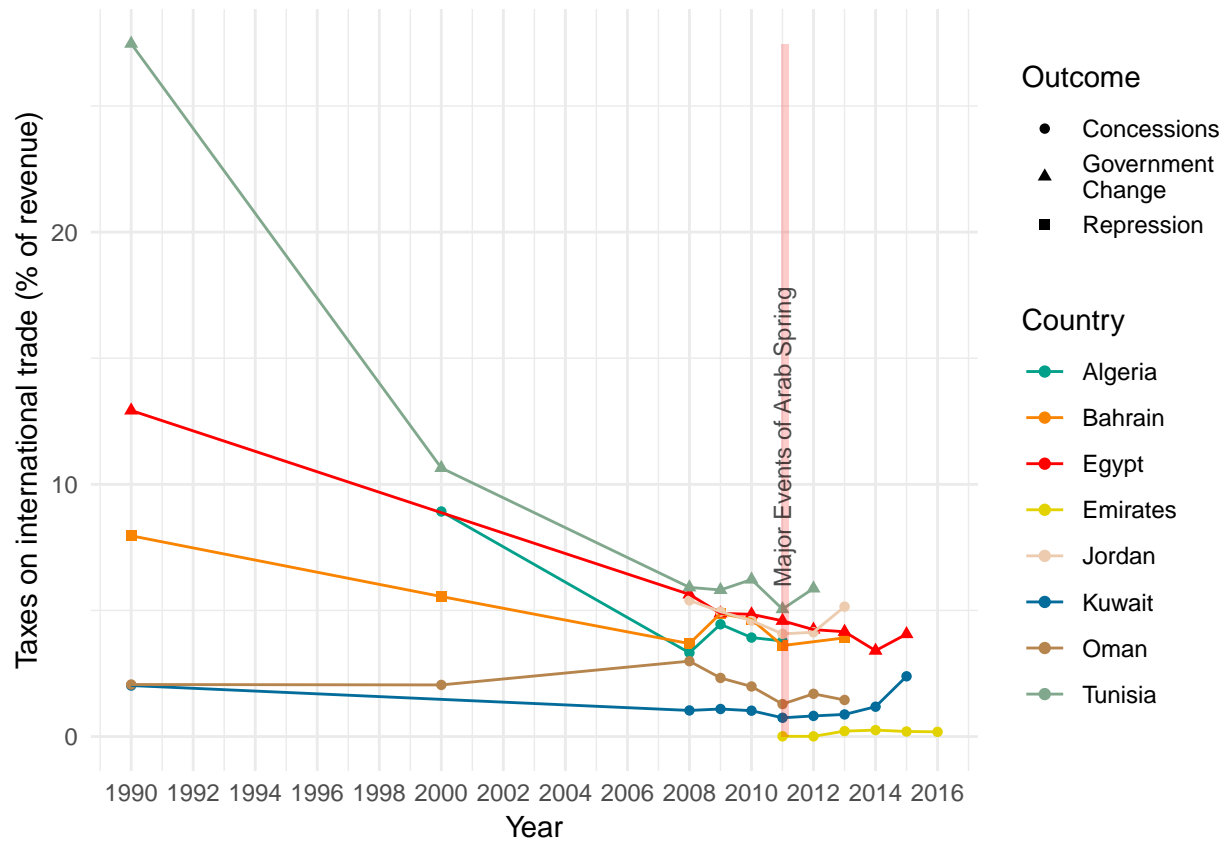


Figure 7: (#fig:plot taxes on international trade)Taxes on international trade (% of revenue)

- Cost of revolution: Taxes on international trade increased in the subsequent years after the initial events of the Arabic Spring
- Concessions and international trade
- Definition: Customs and other import duties are all levies collected on goods that are entering the country or services delivered by nonresidents to residents. They include levies imposed for revenue or protection purposes and determined on a specific or ad valorem basis as long as they are restricted to imported goods or services.

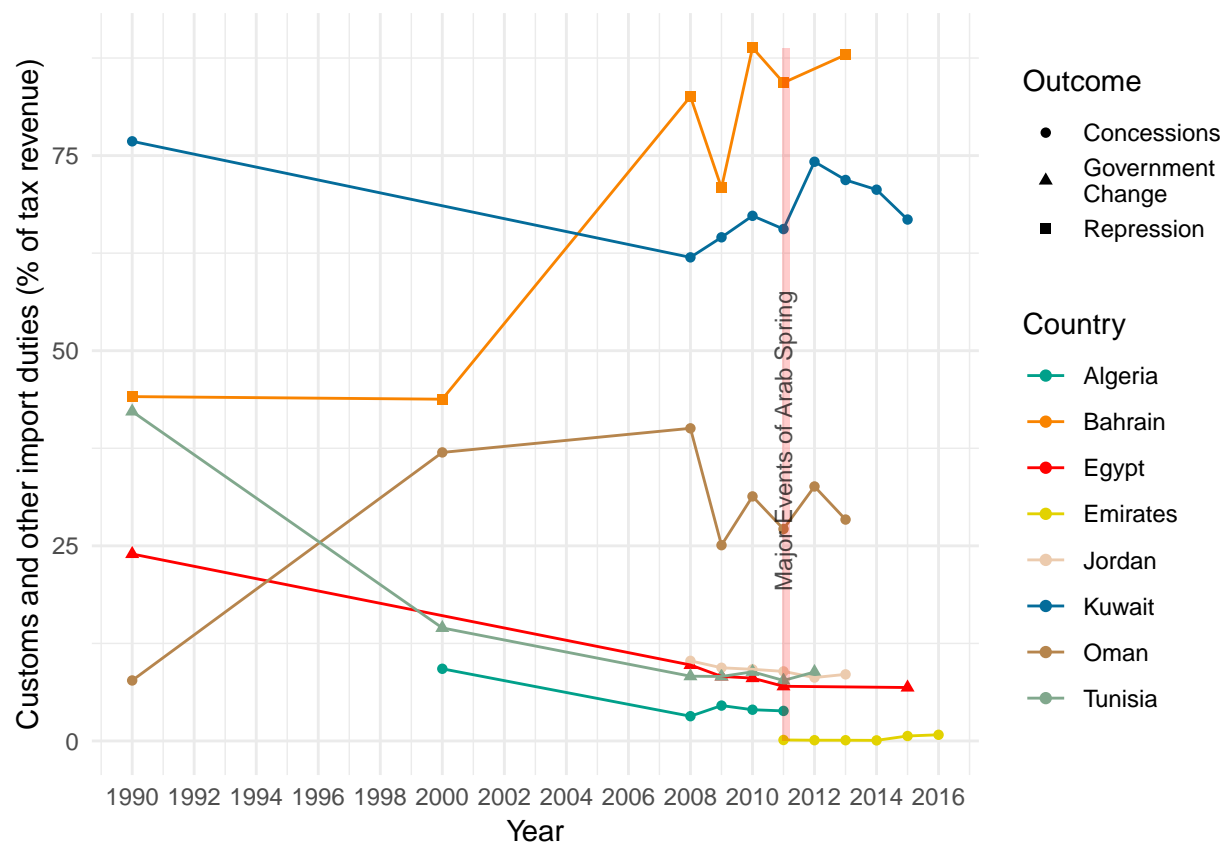





















Figure 8: (#fig:customs and other import duties)Customs and other import duties (% of tax revenue)

Literature

Acemoglu, Daron, and James A. Robinson. 2006. *Economic Origins of Dictatorship and Democracy*. Cambridge, UK: Cambridge University Press.

Derivation of the revolution constraint

$$\begin{aligned}
 & \frac{(1-\mu)\bar{y}}{1-\delta} > y^p \\
 \Leftrightarrow & \frac{(1-\mu)\bar{y}}{1-\delta} > \frac{(1-\theta)\bar{y}}{1-\delta} \quad \left| \text{Multiply by } \frac{1}{\bar{y}} \text{ and } (1-\delta) \right. \\
 \Leftrightarrow & 1-\mu > 1-\theta \quad \left| -1 \right. \\
 \Leftrightarrow & -\mu > -\theta \quad \left| \text{Multiply by } (-1) \right. \\
 \Leftrightarrow & \mu < \theta
 \end{aligned}$$

Land	Proteste und Forderungen im Arabischen Frühling	Regime-Reaktionen und Folgen der Proteste
Ägypten 	Am 25.1.2011 einsetzende Proteste führen dazu, dass Hosni Mubarak am 11.2. als Präsident zurücktritt. Bei Parlamentswahlen (11.2011 bis 1.2012) und Präsidentschaftswahlen (6.2012) siegt die Muslimbruderschaft.	Im Juli 2013 putscht das Militär gegen die Muslimbruderschaft und errichtet unter General Sisi eine autoritäre Präsidialherrschaft.
Algerien 	Proteste gegen Wohnungsnot und gestiegene Nahrungsmittelpreise	Die Regierung hebt am 22.2.2011 den seit 19 Jahren geltenden Ausnahmezustand auf und subventioniert Grundnahrungsmittel.
Bahrain 	Vor allem von der schiitischen Bevölkerungsmehrheit getragene Proteste fordern eine konstitutionelle Monarchie.	Gewaltsames Vorgehen des Regimes, am 14.3.2011 intervenieren Truppen des Golfkooperationsrats unter saudischer Führung und unterstützen die gewaltsame Niederschlagung der Proteste. Schiiten protestieren bis heute gegen ihre Diskriminierung, die sunnitische Monarchie reagiert weiterhin repressiv.
Djibouti 	Proteste gegen Arbeitslosigkeit und Korruption	Kosmetische Reformen
Irak 	Demonstrationen von Schiiten, Sunniten und Kurden gegen Korruption, Arbeitslosigkeit und soziale Missstände. Seit 2012 demonstrieren Sunniten gegen ihre Diskriminierung durch die schiitisch dominierte Zentralregierung.	Die Regierung Maliki geht gewaltsam gegen sunnitische Proteste vor. Der IS gewinnt an Zulauf, intensiviert seine Terrorkampagne gegen vorwiegend schiitische Ziele und erobert 2014 weite Gebiete in Syrien und im Irak. Bis Sommer 2016 verliert er große Teile seines Herrschaftsgebiets, setzt aber seine Terroranschläge fort.
Jemen 	Proteste gegen Korruption und Machtmissbrauch seit 27.1.2011	Präsident Salih reagiert gewaltsam auf Proteste, tritt erst im November 2011 zugunsten von Vizepräsident Hadi ab. Der wird im Februar 2012 für zwei Jahre zum Übergangspräsidenten gewählt, tritt danach aber nicht ab. Huthi-Milizen sowie Anhänger Salihis rebellieren und erobern im September 2014 die Hauptstadt Sanaa. Im März 2015 wiederum greift eine von Saudi-Arabien geführte Militärallianz ein, um Hadi zurück an die Macht zu bringen. Separatisten im Süden, al-Qaida und der IS profitieren vom Machtvakuum. Das Land versinkt im Bürgerkrieg.
Jordanien 	Seit 7.1.2011 Proteste gegen die Regierung, aber nicht gegen den König	Regierungsumbildungen durch den König (1.2.2011 und 17.10.2011), kosmetische institutionelle Reformen
Katar 	Keine öffentlichen Proteste	Der Emir erhöht die Löhne.
Kuwait 	Mehrere Demonstrationen in 2011 gegen Korruption und den Ministerpräsidenten	Im November 2011 Regierungsumbildung durch den Emir
Libanon 	Proteste gegen die konfessionalistische Machtverteilung	Während des Arabischen Frühlings ist das Land ohne Regierung, das heißt, es existiert kein wirklicher Adressat für die Proteste.
Libyen 	Seit 17.2.2011 Proteste in verschiedenen Landesteilen	Das Regime geht mit massiver Repression dagegen vor, was zu einem bewaffneten Aufstand und – nach UN-Resolution 1973 vom 17.3.2011 – zu einer internationalen Militärintervention unter NATO-Kommando führt. Weite Teile des Landes werden von Milizen der Opposition erobert. Am 20.10.2011 Tod von Gaddafi. Der Demokratisierungsprozess stockt. Im Sommer 2016 kämpfen drei konkurrierende Regierungen und verschiedene Milizen, darunter auch der IS, um die Kontrolle unterschiedlicher Landesteile.
Marokko 	Proteste gegen Korruption und Arbeitslosigkeit	Mohammed VI. erlaubt eine Verfassungsreform, freie Wahlen und die Stärkung der Regierung gegenüber dem König, der allerdings die wichtigsten politischen Kompetenzen behält.
Mauretanien 	Proteste gegen Korruption, Menschenrechtsverletzungen und Sklaverei	Minimale Zugeständnisse
Oman 	Seit 17.1.2011 Proteste in verschiedenen Landesteilen gegen Korruption und Machtmissbrauch, für eine Verbesserung der Lebensverhältnisse, aber nicht gegen den Sultan	Der Sultan erhöht die Löhne, verspricht die Schaffung neuer Arbeitsplätze, entlässt Minister und erweitert die Kompetenzen des Parlaments.
Palästinensische Gebiete 	Forderungen nach einer Einheitsregierung	Bemühungen um Versöhnung bleiben erfolglos. Zweiter Gazakrieg im Juli-August 2014
Saudi-Arabien 	Lokale Proteste verschiedener Gruppen (Liberale, Frauen, Schiiten, Salafisten) fordern unterschiedliche Reformen. Keine landesweite Protestbewegung	Das Königshaus reagiert mit massiver Erhöhung der Löhne und zielgerichteter Repression, insbesondere gegen Schiiten und Liberale.
Syrien 	Seit dem 18.3.2011 weiten sich lokale Proteste angesichts massiver staatlicher Repression zu landesweiten Protesten aus.	Regimekräfte, abgespaltene Armeeteile, lokale und ausländische Kämpfer führen seit Sommer 2011 einen Bürgerkrieg mit massiver externer Beteiligung (Iran und Russland direkt; USA, Türkei, Saudi-Arabien, Katar und andere indirekt). Mehr als die Hälfte der Bevölkerung ist auf der Flucht, über 300 000 Tote.
Tunesien 	Am 17.12.2010 beginnt mit landesweiten Protesten der Arabische Frühling.	Präsident Zine el-Abidine Ben Ali tritt zurück und verlässt am 14.1.2011 das Land. Eine neue Verfassung wird erarbeitet, es kommt zu demokratischen Parlamentswahlen und einer Machtteilung zwischen säkularen Parteien und gemäßigten Islamisten. Salafisten und Dschihadisten bedrohen die friedliche Transformation.
Vereinigte Arabische Emirate (VAE) 	Keine öffentlichen Proteste	Lohnerhöhungen und Schaffung neuer Arbeitsplätze im öffentlichen Sektor

I hereby declare that the work in this term paper

Economic Origins & Outcomes of the Arab Spring

was carried out in accordance with the requirements of the university's regulations and that it has not been submitted for any other academic award. Except where indicated by specific references in the text, the work is the candidate's own work. Work done in collaboration with, or with the assistance of others, is indicated as such. Any views expressed in the term paper are those of the author.

A handwritten signature in blue ink that reads "David Brosse". The signature is written in a cursive style with a large, looped 'D' at the beginning.

Friedrichshafen, 1st January 2019