

Economic Origins and Outcomes of the Arab Spring

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Abstract

Is there empirical evidence for Acemoglu and Robinson's model from the Arabic Spring? More precisely, under which conditions does inequality predict a revolution? The analyses will present an overview of the outcomes of the revolution.

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1 Introduction: Revolution and Inequality

Economic aspects have been one the main explanations for the political unrest during the Arab Spring used by media, but also by many scholars. The Economist's "Shoethrower'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. <http://www.geocurrents.info/geopolitics/the-economists-shoe-throwers-index-a-success> "The result shows that the potential for unrest in

the Arab world 2010 were highest in Yemen, Libya, Egypt and Syria, while countries like Qatar, Kuwait, UAE and Lebanon had the lowest scores (the Economist 2011:26). The index lacks theoretical backing, but is to some extent empirically supported. However, other scholars support some of these indicators:

- The economic impoverishment of the majority of the people, staggering food prices, high rates of unemployment, and especially among the large youth population - are all regarded as plausible roots and causes for the Arab Spring (Salih 2013:187).
- Especially the deteriorating food security and living standards in the region is said to have led to the uprisings (Breisinger et al. 2011). Another article focuses on the youth population and discusses the Arab Spring in terms of a "youth revolution".
- The high unemployment among the young people in this region is seen as a major problem, with youth unemployment as high as 80 % in some areas. The overall conclusion is that frustration with the lack of jobs makes the youth population more prone to protest (Hoffman & Jamal 2012:169f, 184f).
- Emmanuel Martin claims that one of the more forgotten causes for the Arab Spring was the lack of economic freedom in these countries. The government policies required tremendous administrative steps to set up a formal business, which Martin sees as a part of the political oppression and authoritarianism in these countries (Martin 2012:94f)." from (Carbonnier, n.d.: 17 f.)

A noteworthy theoretical perspective is Acemoglu and Robinson's (2006) book "Economic Origins of Dictatorship and Democracy". The authors "develop framework for analyzing the creation and consolidation of democracy. Different social groups prefer different political institutions because of the way they allocate political power and resources. Thus democracy is preferred by the majority of citizens, but opposed by elites. Dictatorship nevertheless is not stable when citizens can threaten social disorder and revolution. In response, when the costs of repression are sufficiently high and promises of concessions are not credible, elites may be forced to create democracy. By democratizing, elites credibly transfer political power to the citizens, ensuring social stability. Democracy consolidates when elites do not have strong incentive to overthrow it. These processes depend on (1) the strength of civil society, (2) the structure of political institutions, (3) the nature of political and economic crises, (4) the level of economic inequality, (5) the structure of the economy, and (6) the form and extent of globalization." (from book description of EOoDaD)

This Term Paper article focusses on the fourth aspect: the level of economic inequality. (Mention no evidence for the relation of increasing income and changes in democracy.) In the model of Acemoglu and Robinson (2006) inter-group inequality and revolutions are related by the possible outcomes of a regime-critical movement. In non-democracies citizens obtain only a small fraction of available resources. With a revolution there is a chance the share the income of the economy minus the what is destroyed. In other words: Does the degree of inequality correspond the severeness of revolutionary movements?

"Economic Origins of Dictatorship and Democracy" proposes a game theoretical account that implies strategic behavior with respect to political unrest. There are three cases of a revolution:

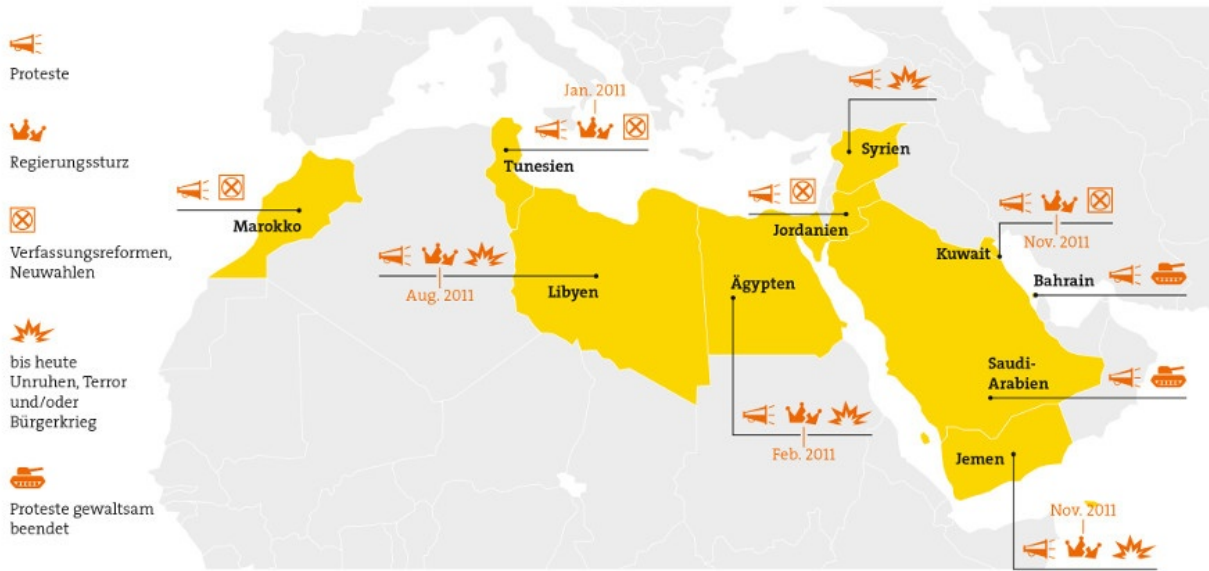
- "If the fraction of what will be destroyed in a revolution is larger than the share of the income of the rich, the tax rate will be zero and there will not be a revolution.
- If the fraction of what will be destroyed in a revolution is smaller than the share of income of the rich and this fraction is smaller than what the poor will get when the elite employs a tax rate according to the preferences of the poor, there still will be a revolution.
- If the fraction of what will be destroyed in a revolution is smaller than the share of income of the rich and this fraction is larger than what the poor will get when the elite employs a tax rate according to the preferences of the poor, the elite will employ a tax rate that prevents a revolution and therefore, there will only be a revolution if that tax rate is lower than the one preferred by the poor and there will not be a revolution if the elite employs a tax rate that is higher/equal to the tax rate preferred by the poor." (from slides)

Unfortunately, there is a lack of useful estimate of the fraction of what will be destroyed in a revolution. However, we can still examine a major result of Acemoglu and Robinson's account with respect to the Arabic

Spring: Inequality is as main driver of revolution. We can relate this conclusion to the severeness of regime-critical movements. (Analysis of one side of the equation) In other words: The higher the inequality, the stronger the opposition.

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.



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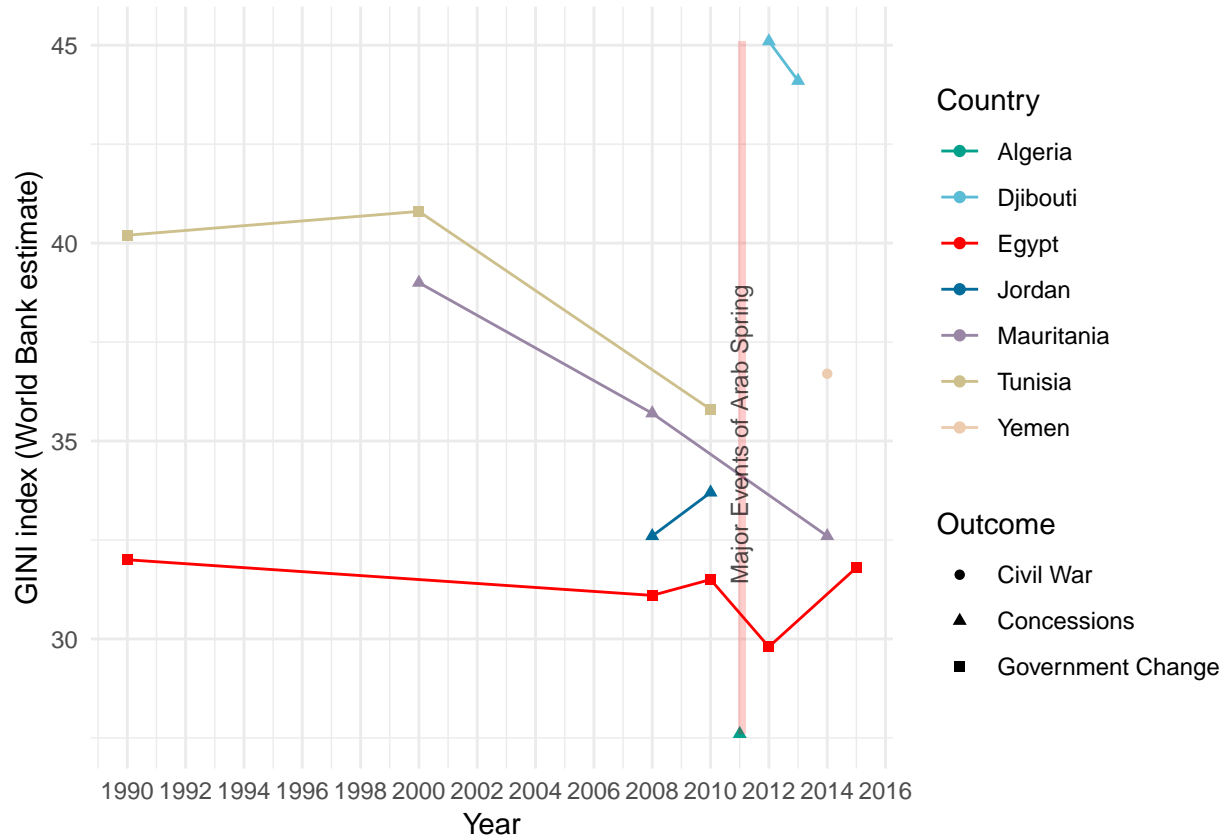


Figure 1: GINI index (World Bank estimate)

1.1 Inequality

The subsequent graphics provide evidence that economic incentives are a driving force of revolutionary movements. In those countries with lower economic welfare (total unemployment, youth unemployment, GDP per capita ?, income share ?) concessions by the incumbent were effective. In the context of the model of Acemoglu and Robinson's the thread of revolution was not credible because of higher economic welfare compared to other Arabic countries.

- 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

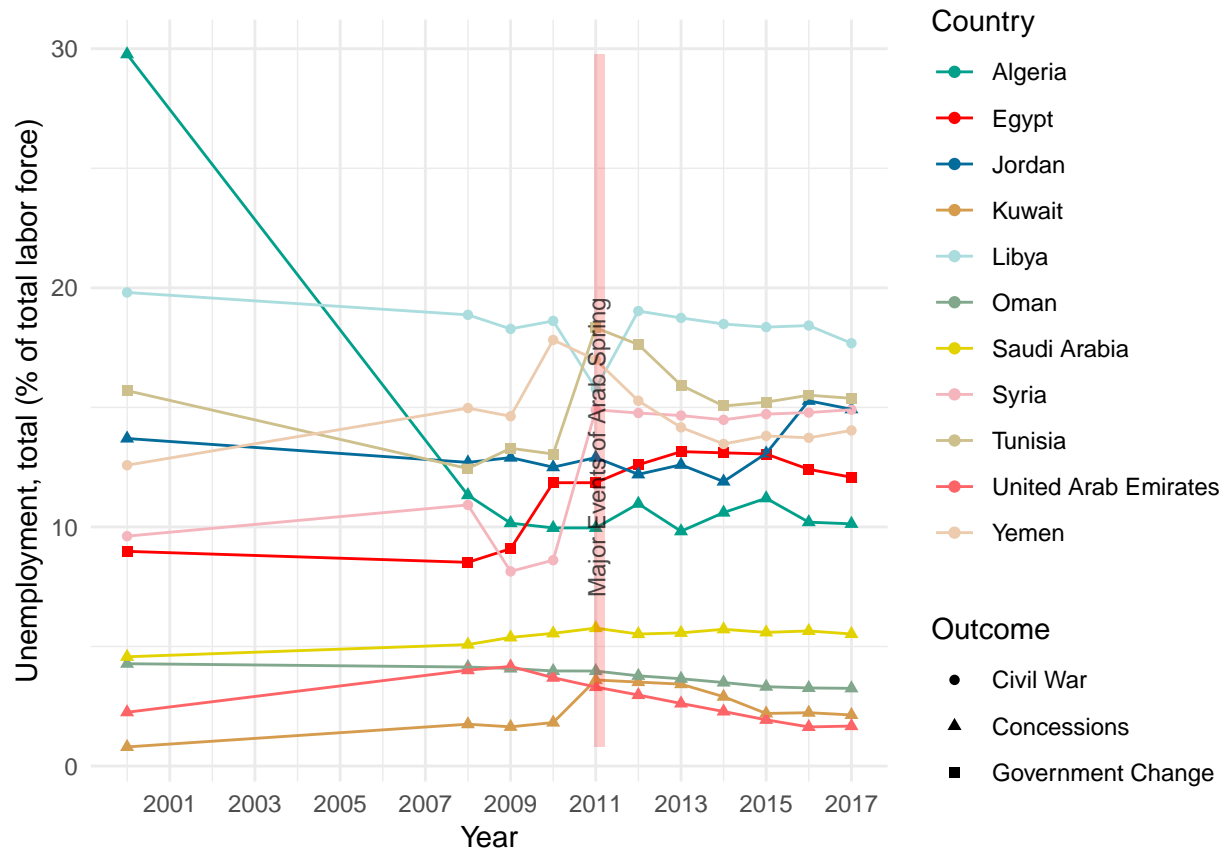


Figure 2: Unemployment, total (% of total labor force) (modeled ILO estimate)

- 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.

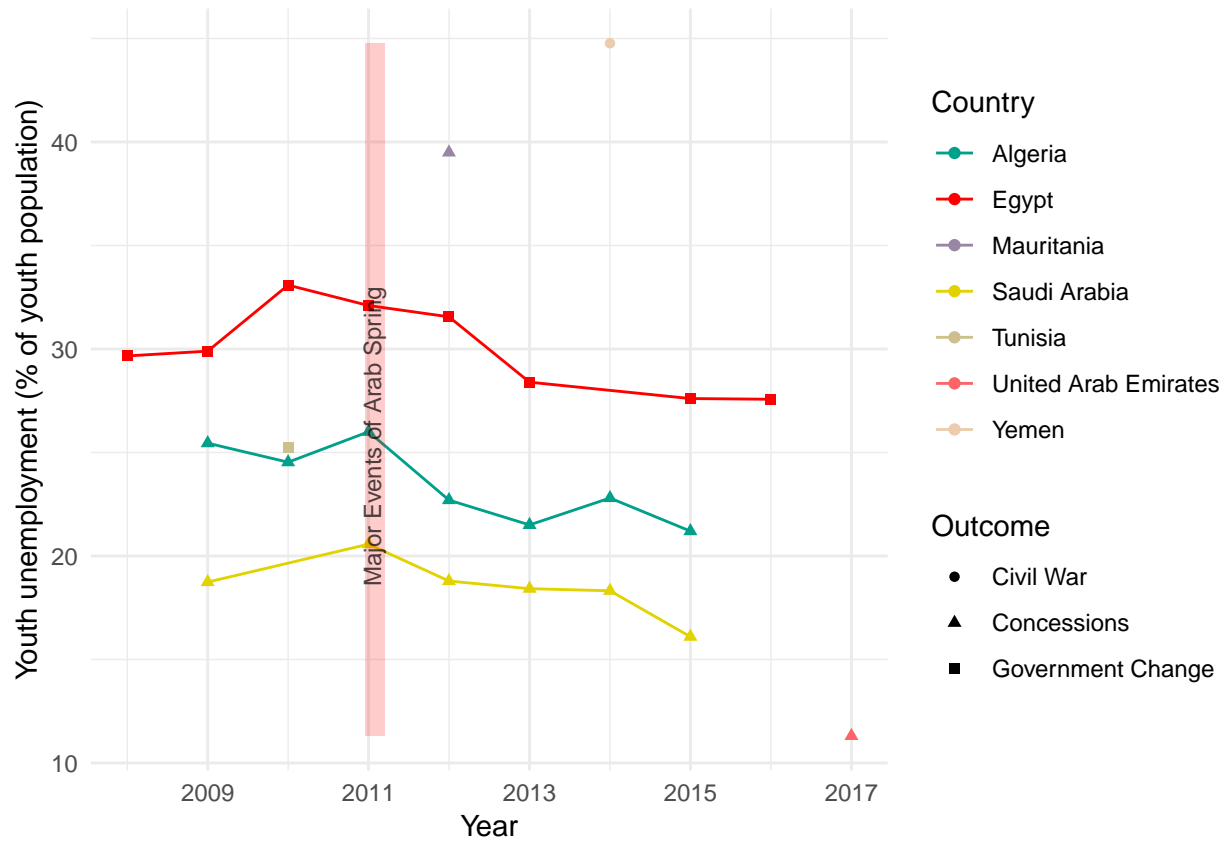


Figure 3: Share of youth not in education, employment or training, total (% of youth population)

- 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?

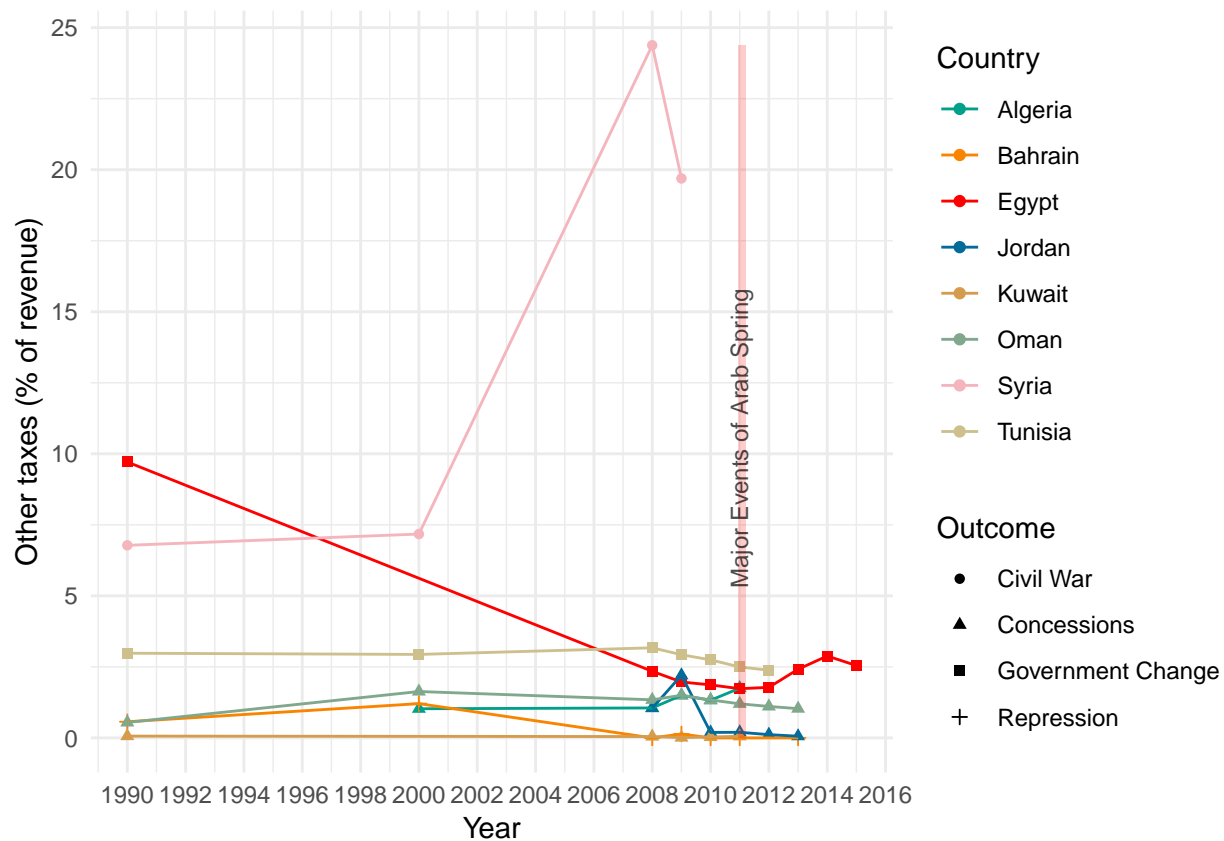


Figure 4: Other taxes (% of revenue)

- 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

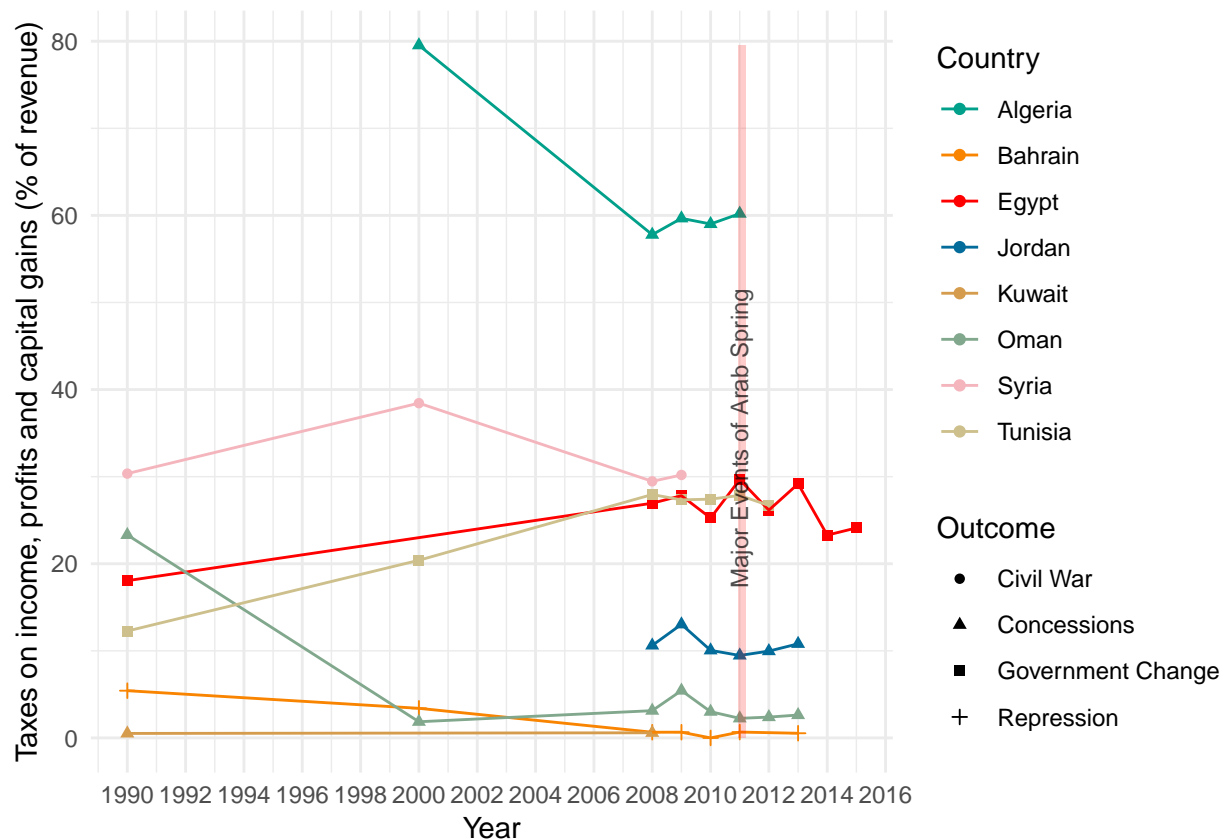


Figure 5: Taxes on income, profits and capital gains (% of revenue)

1.2 Taxes

- 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.

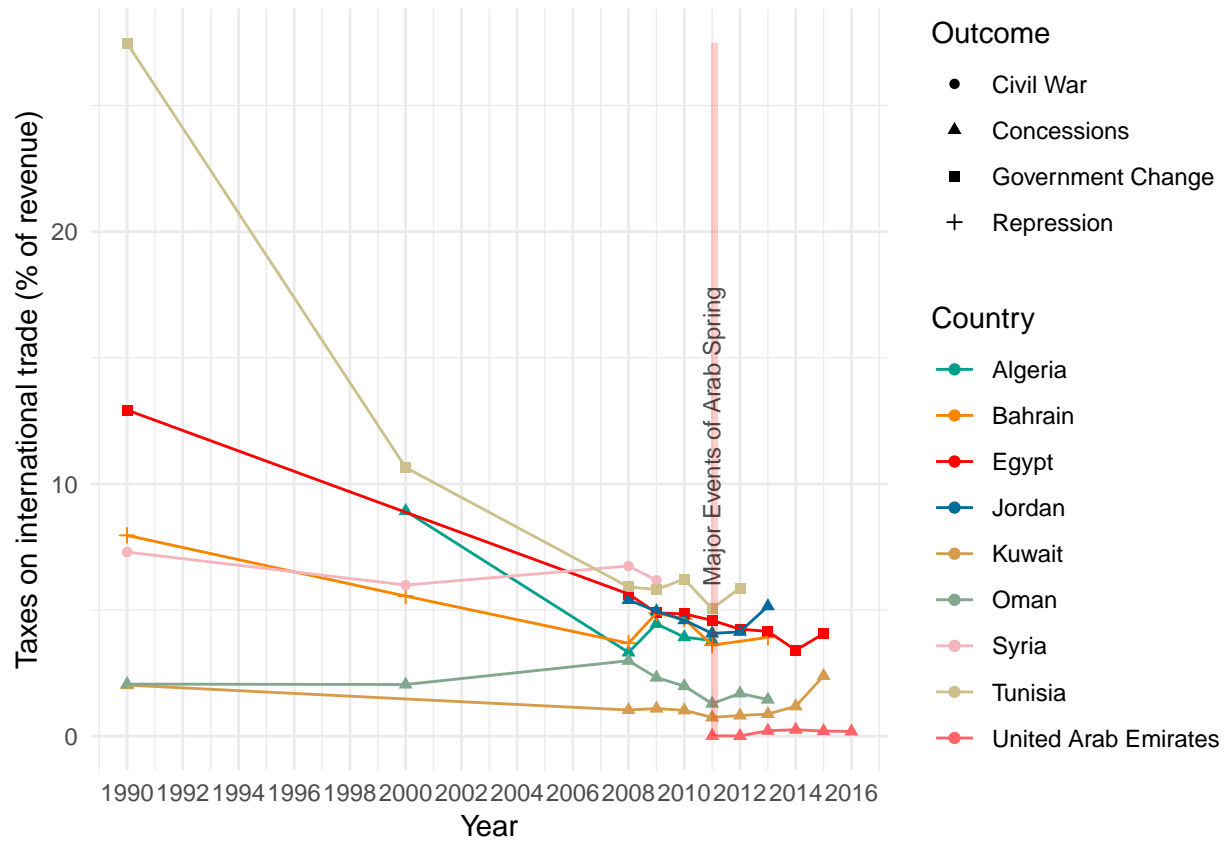


Figure 6: Taxes on international trade (% of revenue)

- 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.

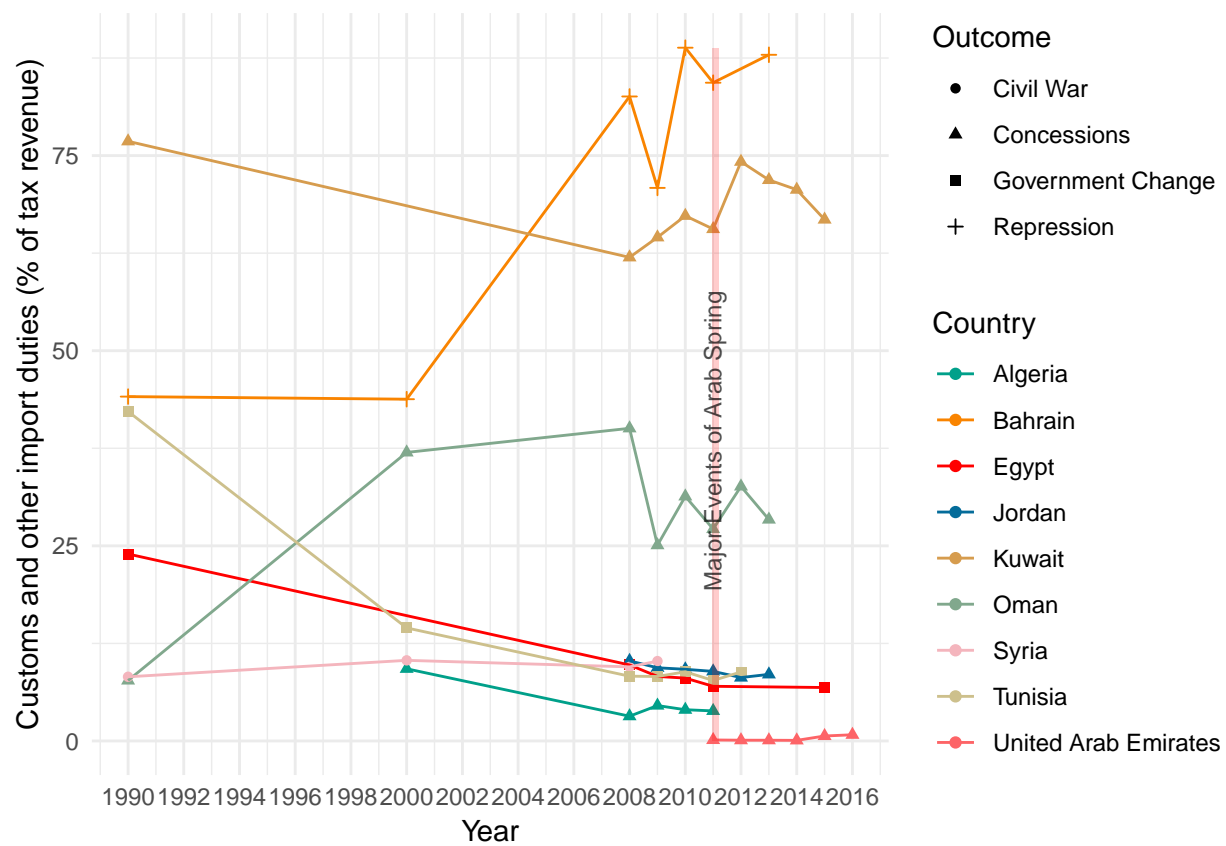


Figure 7: Customs and other import duties (% of tax revenue)

Notes:

- Nahen Osten. In fast allen Ländern der Region kam es zu spontanen Demonstrationen, die sich in einigen Staaten zu breiten Protestbewegungen gegen die jeweiligen Regime ausweiteten und die autoritär herrschenden Präsidenten in Tunesien, Ägypten, Libyen und im Jemen stürzten. In den meisten Ländern wurden in der Folge – wenn auch oft nur kosmetische – Reformen durchgeführt. Über fünf Jahre später lässt sich leider nur eine ernüchternde Bilanz des Arabischen Frühlings ziehen, denn kaum eine mit ihm verbundene Erwartung erfüllte sich. Weder kam es zu einer breiten Demokratisierung in der Region, noch gelang es – mit Ausnahme Tunesiens –, verfassungsmäßig garantierte und staatlich geschützte Freiheitsrechte durchzusetzen. Die soziale und wirtschaftliche Lage hat sich in den meisten Ländern weiter verschlechtert, und fast alle autoritären Regime konnten ihre Herrschaft nach einer Phase der Unsicherheit erneut festigen. Mit einer Mischung aus Zuckerbrot und Peitsche, aus partiellen Reformen, finanziellen Vergünstigungen, dem Einsatz von Überwachungstechnologie und staatlicher Repression bis hin zu gewaltsamer Unterdrückung gelang es den Autokraten, die heterogenen Oppositionsbewegungen zu kooptieren, zu spalten, einzuschüchtern und zu unterwerfen. Einzig in Tunesien kam es zu einem Regimewechsel, der in einen anhaltenden, aber keineswegs unumkehrbaren Demokratisierungsprozess mündete.

Context:

- Timur Kuran (Kuran 2004) discusses the question why the Middel East is relatively underdeveloped in the context of institutions
- The introduction of “Why Nations Fail” (Acemoglu and Robinson 2012) provides a compact summary of the main events of Egypt’s Arabic spring

Case Study:

- “The Power of the Street: Evidence from Egypt’s Arab Spring” is an empirical investigation of the question how change in political power affects economic outcomes (Acemoglu, Hassan, and Tahoun 2018).

2 Arab Spring

from (Carbonnier, n.d.)

This chapter offers a brief introduction and overview of the Arab Spring, and the six selected countries for this study. It starts off with an introduction of the Arab Spring, with a general regional introduction, and then continues with each individual country. This introduction only covers the period of time from the beginning of the Arab Spring in December 2010, through the subsequent year of 2011.

- Reason for the selection of six countries?

The Arab Spring, or the Arab uprisings, represents a revolutionary wave of demonstrations and protests that swept through the Arab world. It started off with protests in Tunisia on December 18, 2010, following Mohamed Bouazizi’s self-immolation in protest of ill-treatment and police corruption (Salih 2013:184). This triggered protests in Tunisia, and in January 2011 the Tunisian president Zine el- Abidine Ben Ali was overthrown (Mabon 2012:531). The waves of protests did not stop there, soon the protests spread into the neighbouring Algeria, and broke out in Egypt and Jordan in January 2011. By February 11 violent clashes forced Hosni Mubarak to step down and end his 30-years of power in Egypt (Helfont & Helfont 2011:83). Waves of protests continued to develop throughout the Arab world. Protests emerged in Bahrain, Morocco, Yemen, Jordan, Oman, Saudi Arabia, and Lebanon, as well as Kuwait, Palestine, Iran and Iraq.

The Arab Spring left hardly any country unaffected. Civil war broke out in Libya and Syria, where Libya's Muammar al-Qaddafi was removed from power, whereas in the case of Syria the civil war is still ongoing (Jones 2013:1; Dupont & Passy 2011:447; Blight et al. 2012). Many of the demonstrations during the Arab Spring were also met with a violent response from the authorities, as well as from pro-government militias and counter-demonstrators (Salih 2013:184).

- On February 11 Mubarak was forced to step down, compare to timeline

2.1 Minor changes

Almost at the same time as in Egypt, protests broke out in **Jordan** on January 21, 2011 (UCDP 2011). The protesters were demanding cuts in food and fuel prices, electoral reforms, and more power granted to the parliament. There were, as well, complaints about rampant poverty, high unemployment, and corruption in the country. King Abdullah II, in response, replaced his prime minister, and formed two commissions to study possible electoral reforms and constitutional amendments. He did as well offer a \$125 million package of subsidies for fuel, sugar, and other products. There have been occasional violent demonstrations in Jordan, but so far the government's concessions have managed to keep off most instability, leaving king Abdullah II still in power (BBC 2012; Jones 2013; Helfont & Helfont 2011; Miller 2011:34).

Lebanon faced a different sort of demonstrations amid the Arab Spring. While the key slogan in Egypt and Tunisia had been "The people wants to topple the regime", the protest movement in Lebanon adopted a slightly different slogan, "The people wants to topple the sectarian regime". On 27 February 2011, the anti-sectarian movement, as it was referred to, held its first demonstration. The protests were not as much directed against the president, the prime minister or the government, but it was believed that the symbols of powers were located outside the official state institutions (Hermez 2011). However, the movement failed to attract a significant numbers of participants, and in spite of repeated calls, few people showed up for the demonstrations (Khashan 2011).

Morocco saw its first protest on February 20, 2011, and demonstrations soon spread and sprung up in over 50 cities (Badimon 2013:207; Miller 2011:36). On March 9, 2011, King Mohammed VI held an extraordinary televised speech to the Moroccan people, in which he promised "a new charter between the throne and the people" and outlined a so called "package of comprehensive constitutional amendments". The new constitution was to guarantee rule of law and an enhanced role for the prime minister, in practise it would reduce the king's power and increase that of the elected government. On June 17, 2011, the new constitution was released and in a referendum two weeks later it was passed (Traub 2012:43; Maddy-Weitzman 2012). Whether the concessions done by the Mohammed VI were sincere and will ultimately lead to a political system in line with a constitutional monarchy, is yet to be seen. It is still safe to say that Morocco did not face the same turmoil and uprisings as other countries during the Arab Spring.

2.2 Major changes

In January 2011, protests broke out in Egypt. After eighteen days of protests in Cairo and in other cities, President Hosni Mubarak was forced to step down on February 11, 2011. This ended Mubarak's 30 years of power in Egypt. According to the Egyptian government fact-finding panel, 846 people were killed and more than 6,400 were injured during the uprisings. (BBC 2012; Salih 2013:193).

As mentioned in the introduction, the protests in Tunisia began on December 18, 2010. This was sparked by the self-immolation of the vegetable seller Mohamed Bouazizi in the city of Sidi Bouzid. This was done as a political protest. Pro-democratic and anti-regime protests rose up across Tunisia, in what came to be known as the "Jasmine Revolution". In the violent clashes around 300 people died during the unrest. President Zine el-Abidine Ben Ali was toppled, after 23 years in power, on the January 14 2011 (BBC 2012; Schraeder & Redissi 2011).

In Yemen demonstrations started on January 27, 2011, calling for the end of president Ali Abdullah Saleh's 33-year rule. The president announced at a very early stage that he would not seek re-election and that

he would not pass over power to his son. However this did not stop the protests, which became more frequent and widespread. It was also met with a deadly crackdown by the security forces and supporters of the president. In April 2011, Saleh refused to sign a GCC-brokered deal to hand over power in return for immunity from prosecution. This prompted the head of the Hashid tribal federation, Sheikh Sadiq al-Ahmar, to declare his support for the opposition. Heavy clashes between security forces and armed tribesmen occurred in the capital Sanaa, leaving dozens of people dead. In June, president Saleh was seriously injured by a bomb explosion and was forced to leave the country to seek medical treatment. He returned to Yemen in September amid a new wave of violence. In October 2011, the UN Security Council urged the president to agree to the GCC-brokered deal. President Saleh signed the deal November 23, and formally ceded power two days later (BBC 2012; Salih 2013:193-195).

3 Conclusion

Also beyond the scope / for further research as done by (Carbonnier, n.d.): Moreover, they assume that the inter-group inequality is related to the set of political institutions because an effective thread of revolution initiates the democratization process. Democratization implies a higher influence of the people on the redistribution of the income of an economy. It follows that democratization is attractive for citizens and costly for the elites. In this sense Acemoglu and Robinson emphasize social conflicts between groups as driving force of democratization.

Acemoglu, Daron, and James Robinson. 2012. *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. New York: Crown Publishers.

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Acemoglu, Daron, Tarek A. Hassan, and Ahmed Tahoun. 2018. "The Power of the Street: Evidence from Egypt's Arab Spring." *The Review of Financial Studies* 31 (1): 1–42. doi:10.1093/rfs/hhx086.

Carbonnier, Joakim. n.d. "The Arab Spring and Its Different Outcomes," 74.

Kuran, Timur. 2004. "Why the Middle East Is Economically Underdeveloped: Historical Mechanisms of Institutional Stagnation." *The Journal of Economic Perspectives* 18 (3): 71–90.