Neoliberalism and the Failure of the Arab Spring

written by Yousef Khalil | July 15, 2015

The foundations for the Arab uprisings that took place in the wake of the 2008 financial crisis were laid in the years before by the neoliberal restructuring of Middle Eastern and North African economies. After decades of dropping trade barriers, lowering wages, and dismantling industry, Arab governments had stripped their populations of the social protections necessary to cope with the increases in unemployment and commodity prices and the stagnation in wages that were characteristic of the crisis (International Labour Organization, Global Wage Report 2012/13, Dec. 7, 2012). While the gutting of state industry and the opening of trade policy paid dividends for those who were well connected to the state bourgeoisie that had developed during the state-capitalist period in many countries, those changes left many vulnerable to international economic crises and reeling from a deepening sense of social inequality (Hanieh, *Middle East Monitor*, Mar. 1, 2015).

Neoliberalism, a holistic ideology that has come to dominate political discourse in an unprecedented way, rose to prominence in the First World as a critique of the state-interventionist economic model in the period when Keynesian growth was exhausting itself. From a deep suspicion of the state, neoliberals understand the market to be the natural mechanism through which society should be organized. Crucially, they fail to take into consideration the social processes that created the market itself. These processes would not have been possible, as Karl Polanyi influentially argued, without the intervention of a strong state, which is also necessary for the market to continue to function.

The Egyptian Opening and the Lost Decade

It is fitting that the process of neoliberal economic restructuring in the Arab world began in Egypt, which from 1952 to 1970 was the beating heart of the Arab nationalist project. The Nasser regime came to epitomize the Bandung Era—the era of independent, non-aligned Third World nations—and its "popular nationalism," characterized by anti-imperialist foreign policy positions and economic and social modernization through the expansion of the state.[1] The destruction of the Arab armies by Israel in 1967, followed by the ascension of Anwar Sadat to Egypt's presidency after Nasser's death in 1970, sparked upheavals in that country, particularly from the student movements and labor unions. Under extreme domestic pressure, Sadat, together with Syria, launched a limited war against Israel in 1973, but it "was enough for him to sustain a temporary boost in popularity and drag the carpet from underneath the feet of the student movement" (el-Hamalawy, *al-Araby*, Jan. 25, 2015). With the pressure of the Israeli occupation of the Sinai and the 1967 defeat relieved enough to ease domestic tensions, Sadat had the political capital to pursue a rightward political shift, abandoning the policy of confrontation with Israel and embracing neoliberal economic restructuring in exchange for an alliance with the United States.

The Egyptian pivot, along with the decline in oil prices and debt crisis of the 1980s,

gave international financial institutions the opportunity to effect change in the direction of unfettered free market economy. Sudan in 1979/1980, Morocco in 1983, Tunisia and Egypt in 1987,

and Jordan in 1989 all turned to the IMF and World Bank for financial and technical assistance. Algeria, Yemen, and Lebanon followed suit during the 1990s.[2]

Early adopters of neoliberal restructuring were held up by the Bretton Woods Institutions and the Western states as shining examples of economic reform in the region, despite the low growth rates, diminishing living standards, and repression of democratic expression in those countries, including the full nullification of elections in Jordan and Tunisia.

Whereas the neoliberal restructuring of Latin America is often considered the prototypical failure of this strategy, the Arab world experienced worse economic growth performance than did Latin America in its "lost decade." The non-oil Arab states achieved almost zero growth, compared to the meager 1 percent or so for Latin America. The Middle East also emerged as the second largest indebted region after Latin America.[3] Arab governments were compelled by the need to secure aid and favor from the West to transform their governments from "social states" to "regulatory states," as "fiscal austerity was prioritized over employment generation and inclusive growth."[4] In the period 1970 to 1990, the Middle East and North Africa region as a whole experienced an average annual growth rate of -0.2 percent, compared to the +2.5 percent average for developing countries as a whole, and the 0 percent average for sub-Saharan Africa.[5] The "structural deficiencies" that came to be the main economic grievances of the youth that led the uprisings in 2011 were a product of these neoliberal policies.[6]

Narrowing the Choices

Neoliberal restructuring was not only an economic process; it systematically redefined politics itself. Social welfare policies in the Arab world had been a response to genuine social pressures and movements. Ignoring the history of these policies, the neoliberals replaced them with a very narrow set of prescriptions: trade and financial liberalization; balanced state budgets; undistorted prices; reduction of state intervention in general, including the collection of rents; and the promotion of policies conducive to foreign investment. During the process of neoliberal restructuring, whole social structures were written off and liquidated, as if deviating from the natural state of the market could only be the result of a temporary insanity, disregarding the social forces that had swept the state-led model into existence. Ideologically, deviations from the narrow neoliberal understanding of the market were characterized as dangerous and radical. To facilitate this shift, whole economic histories needed to be rewritten; the pre-eminence of the United States and Great Britain were posited as a triumph of laissez-faire economics over lazy French interventionism, rather than a bloody hundreds-year-long process of redesigning the world by force of arms at the expense of entire civilizations. The Soviet Union was descending into oblivion, and the neoliberals triumphantly believed that they could put an end, not just to history, but to politics itself. As opposition to the international capitalist order became a less and less viable basis for an ideology of social transformation, an already disoriented anti-imperialism, which at its apex "self-consciously" placed itself "within the tradition of the European Enlightenment," all but disappeared from the Third World (Malik, *New York Times*, Jan. 3, 2015). By systematically circumscribing the scope of political possibilities and stripping governments of their ability to protect workers and develop industry, the neoliberal pivot created a mass of people who were both materially deprived and socially vulnerable and, at the same time, lacked the discursive tools needed to understand and comprehend their positions. Thus, these societies were left only with what Tariq Ali, in his latest work, dubs "the extreme center," an incontestable set of assumptions that severely hampers the ability of the state to deal with the problems inherent in peripheral economies.

In the Arab world, the modernization project was closely tied to the political legitimacy of the Arab state itself. The disorientation of the Arab world that resulted from the collapse of the Ottoman Empire was built upon the importation, by force of arms and without consideration of existing social

structures, of the European nation-state to replace the (nominally) universal state of the Ottoman Empire. This process culminated in the dissolution of the caliphate by Kemal Atatürk, who argued that the nation-state was the only scientific form of social organization, in opposition to the universal Ottoman State.[7] Nascent national leaderships, whether elevated by dominant powers or inheriting past divisions created by them, had to scramble to legitimize their positions, because, by the logic of the nation-state, the Arab world, with its common language, history, and culture, should have been a single state. Thus, the promise of social and economic modernization became the main source of popular legitimacy. As the other Arab states retreated from their raison d'être—the economic modernization project—"the implicit social contract struck between many Arab governments and their citizens began to fall apart."[8] Thus, as Samir Amin argues, in the process of abandoning the state-led model, these Arab governments liquidated their ideological content and popular legitimacy:

The Bandung regimes, despite their autocratic political practices, benefitted from some popular legitimacy both because of their actual achievements, which benefited the majority of workers, and their anti-imperialist positions. The dictatorships that followed lost this legitimacy as soon as they accepted subjection to the globalized neoliberal model and accompanying lumpen development. Popular and national authority, although not democratic, gave way to police violence as such, in service of the neoliberal, anti-popular, and anti-national project. (*Monthly Review*, September 2014)

Thus, while the state-capitalist phase ultimately succumbed to its own economic contradictions, it at least produced coherent systems with positive visions, as opposed to the nihilism of the neoliberal program, in which the masses are seen not as the backbone of society to be elevated through productive and socially coherent employment, but as cannon fodder to be marched into free-trade industrial zones, perpetual casualties in the never-ending war to attract international capital.

The Neoliberal Ascendance

The ascension of neoliberalism to the dominant ideological discourse has stamped alternative understandings of economic history firmly out of the popular consciousness. The cleansed version of economic history, discussed in Western capitals at length and with a teleological certainty that would not have been out of place in Stalinist propaganda, is, however, as politically driven as the Keynesian and socialist nemeses against which neoliberals define themselves. Neoliberalism simply redraws the market-state boundary in a way that is consistent with its own particular ideological components, a combination of political libertarianism and Austrian economics (considered archaic even when this union was cemented during the 1930s) which reflect firmly the social institutions of that environment. As Ha-Joon Chang argues,

The "market rationality" that neoliberals want to rescue from the "corrupting" influences of politics *can only be meaningfully defined with reference to the existing institutional structure*, which is itself a product of politics. *And if this is the case, what neoliberals are really doing when they talk of the depoliticization of the market is to assume that the particular boundary between market and state they wish to draw is the correct one, and that any attempt to contest that boundary is a "politically-minded" one.* If there appears to be a fixed boundary between the two in certain circumstances, it is only because those concerned do not even realize that boundary is potentially contestable. … In calling for the depoliticization of the economy, the neoliberals are not only dressing up their own political views as "objective" and "above politics," but are also undermining the principle of democratic control [emphasis added].[9]

Effectively, neoliberalism has, using the force of Western capital, dragged the ideology of the far right into a new center. Jackson Lear, in a critique of Hillary Clinton's autobiography (*London Review of Books*, Feb. 5, 2015) captures the neoliberal fantasy perfectly, arguing that in practice as well as theory

The centrists tend to be at least as ideologically driven as the zealots they deplore. The core of their ideology is the belief that the U.S. has a uniquely necessary role to play in leading the world towards an inevitably democratic (and implicitly capitalist) future. The process is foreordained but can be helped along through neoliberal policy choices. This muddle of determinism and freedom is a secular residue of providentialist teleology, held with as much religious fervor and as little regard for contrary evidence as other dogmatic faiths derided by self-styled liberal pragmatists. … Clinton's utopian faith depends on fantasies of a reified technology, unmoored from class and power relations and operating autonomously as a global force for good.

The collapse of the state-led model thrust the neoliberal ideology onto the rest of the world, riding a wave of decrees from international creditors and financial institutions. The institutions that the peoples of the Third World built for themselves in their attempts to transcend the conditions of peripheral integration into the world economy were dismantled with reckless rapidity. National industries—once symbols of progress and national pride—were liquidated and parceled out (Hickel, *New Left Project*, Apr. 9, 2012) to multinational corporations to close balance-of-payment gaps, and societies heaved from the strain of social dislocation caused by massive unemployment and price hikes (Lewkowicz, *Open Democracy*, Feb. 9, 2015). As recent events in Greece have demonstrated, this process is not subject to a democratic check, even in a parliamentary democracy (Rankin and Smith, *Guardian*, Feb. 20, 2015).

The Current Crisis:
A Clash of Extremists

In the Middle East and North Africa, the death of politics and the triumph of the neoliberal center have left a vacuum that culturalist ideologies, primarily Islamism, rushed to fill. Islamism is nothing more than an inverted Eurocentrism, and is incapable of dealing with the economic and political problems presented by international capitalism.[10] These problems were once the territory of some form of socialism, which understood the profound failure and disarray of the Arab world after World War I as the result of European colonialism and the way in which the Ottoman Empire was integrated into the world market in a peripheral way. The solutions were thought to be political and economic: the creation of strong states to steward the development of industry and the tools through which to confront imperialism. When that collapsed, the region-wide pivot towards neoliberalism was rapid and hard.

In this context, the parallels between what happened to politics in the United States and what has happened in the Middle East as a result of the ascension of neoliberalism to hegemonic dominance are easy to see. The discourse that was once the venue through which real social conflicts were carried out is now hollowed out, leaving only the culturalist husks, perversions of actual political and economic grievances, which effectively "[transfer] struggles from real social contradiction to the world of the so-called cultural imagination, which is transhistorical and absolute."[11] Whereas this can take the form of identity politics, xenophobia, or "the culture wars" at the center, in the periphery—where economic problems are more acute, social structures are in a position of perpetual collapse, and states struggle for legitimacy in the face of political humiliation and economic stagnation—this process is exponentially more extreme.

The Islamists rose to power through elections in Egypt and Tunisia, but their program failed spectacularly and with speed. What came to replace them were ancien régime figures, who also lacked true political ideology; they have no substance outside of their opposition to Islamism and their promise to restore stability.[12] Just as Mohammed Morsi had no program to reverse Egypt's economic stagnation, Abdel Fatah al Sisi's campaign consisted of nothing more than being the anti-Mohammed Morsi (Achcar, *Le Monde Diplomatique*, Jun. 2013). He articulated no plan for getting Egypt out of the economic disaster it currently faces. In other words they were both the perfect

neoliberals; empty vessels galvanizing the whipped-up masses behind false understandings of their own history and the scope of choices available, the epitome of those “machine men with machine minds and machine hearts” that Charlie Chaplin’s character in the 1940 film, *The Great Dictator,* implores the world to reject. Al Sisi led the resurgence of the neoliberal technocrat, repackaged as the anti-Islamist crusader. Riding a wave of anti-Islamism, he has continued the neoliberal restructuring of Egypt at a pace that even Mubarak could not muster. A similar dialectic process occurred in Tunisia, albeit without the extremes of political repression and bloodshed. After winning the largest number of seats in the 2011 elections, the Islamic Renaissance party has lost to the newly formed “Call for Tunisia” party in the latest parliamentary elections. Call for Tunisia is led by ex-Ben-Ali-regime apparatchik Mohamed Beji Caid Essebsi and essentially campaigned on the same anti-Islamist platform as al Sisi.

This is the Arab world we find today: a world in which the fiery articulation of deep political and economic grievances, rooted in a history of humiliation and stagnation, that manifested itself in the Arab Spring has been wholly extinguished by the binary of inverted Eurocentrism and farcical Bonapartism, which reinforce each other at every turn (El-Baghdadi, *Foreign Policy*, Dec. 19, 2014). The great tragedy, of course, is that neither program actually addresses the political and economic problems of the region caused by the demise of state capitalism and neoliberal economic restructuring. It is only in this perverse world, stripped of the discursive space necessary to articulate any opposition to neoliberal ideology, that the Islamic State menace can exist, that King Abdullah of Jordan, whose kingdom could not exist without British imperialism and American largesse, can don a flight suit and pose as some kind of strongman in the face of the Islamic State, or that a Gulf Cooperation Council jet flown by a female pilot can exist as a bulwark against Islamic extremism. It is only within this context that al Sisi can pose in the shadow of Nasser while cooperating fully in the crushing of Gaza (Kilani, *al-Araby*, Dec. 24, 2014) and the gutting of Egyptian social protections (Ramadan, *Middle East Monitor*, Jul. 18, 2014), where al Assad can successfully market himself as the civilized man in a battle with brutes from 1000 AD while killing hundreds of thousands of Syrians.

Footnotes

1. Samir Amin, Eurocentrism: Modernity, Religion, and Democracy, 2nd ed. (Monthly Review Press, 2009).
2. Hamed El-Said and Jane Harrigan, “Globalization, International Finance, and Political Islam in the Arab World,” Middle East Journal (Vol. 60, No. 3, Summer 2006), 444-466, 448.
3. El-Said and Harrigan.
4. Richard J. Heydarian, How Capitalism Failed the Arab World (London: Zed, 2014), 64.
5. Gilbert Achcar, The People Want: A Radical Exploration of the Arab Uprising (University of California Press, 2013), 11.
6. Heydarian,11.
7. S. A. Sayyid, Fundamental Fear: Eurocentrism and the Emergence of Islamism (London: Zed, 1997).
8. Sheri Berman, “Islamism, Revolution, and Civil Society,” Perspectives on Politics (Vol. 1, No. 2, June 2003), 257-272, 263.
9. Ha-Joon Chang, “The Market, the State and Institutions in Economic Development,” Rethinking Development Economics (London: Anthem, 2003).
10. Sayyid.
11. Amin, 82.
12. Sayyid.