

## Economic freedom must accompany democracy in Egypt

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The latest outbreak of violence in Egypt is a reminder of that country's halting transition from dictatorship to democracy. The process of democratization in the Arab world that begun with the self-immolation of Tunisian street vendor Mohamed Bouazizi just over a year ago will likely continue, but the experience of ex-communist countries shows that economic growth and opportunity are at least as important as political freedom. Mr. Bouazizi, after all, was not protesting for a right to vote, but for a right to earn a living unmolested by the government.

The extraordinary events taking place in Arab countries — from the fall of Hosni Mubarak in Egypt and Muammar Gaddafi in Libya to the civil uprisings in Syria and Yemen — make it easy to forget that the Arab Spring started with a suicide of a Tunisian street vendor harassed and humiliated by government officials. Like millions of young Arab men and women, the 26-year-old failed to find formal employment. He started selling produce on the street instead. There he was preyed upon by corrupt policemen and abusive bureaucrats who repeatedly harassed him and confiscated his wares. Without the means to support his family, a frustrated Mr. Bouazizi set himself alight in front of the governor's office. Reportedly, his last words were “how do you expect me to make a living?”

Egypt's parliamentary elections were a direct result of the protests that spread through the Arab world following Mr. Bouazizi's death. But restoring dignity to the Egyptian people requires more than allowing them to vote; history shows that freedom to exploit economic opportunities offered by an open and growing economy is just as important.

After the Berlin Wall fell, for example, ex-communist countries embarked on an uneven path toward economic freedom. Economic liberalization in Central Europe and the Baltics tended to be faster and deeper than that in the rest of the former Soviet bloc. On average, the rapid reformers received more foreign investment, grew more rapidly, and had lower inflation rates as well as lower poverty rates and more equal income distributions.

Crucially, the rapid reformers developed stronger democratic institutions. In fact, all of them became liberal democracies. In contrast, some of the countries that underwent only partial economic liberalization, like Ukraine and Russia, failed to develop into full-fledged democracies. Decision-making in those countries was “captured” by a small number of wealthy oligarchs.

The military junta that has run Egypt since Mr. Mubarak's downfall has so far delivered neither political stability nor economic reforms. In the World Bank's Doing Business report, Egypt fell from 94th place in 2010 to 110th place in 2011. Growth has declined from 5.1 percent to 1 percent. The overall unemployment rate rose from 9 percent to almost 12 percent, while youth unemployment remains at 24 percent. With the national debt approaching 80 percent and the budget deficit hitting 11 percent of GDP, the junta is running out of time and space to maneuver.

Unfortunately, there is little indication that the big winners of the recent parliamentary elections — the moderate Islamist Muslim Brotherhood and the Salafist Al Nour party received some two-thirds of the votes and will write Egypt's new constitution — appreciate the gravity of Egypt's economic situation or understand the importance of economic liberalization in sustaining high rates of growth. If anything, liberalization seems to be treated with suspicion, because the initial reforms of the Egyptian economy were pushed through by Mr. Mubarak and the corrupt business elite that surrounded him. Rather than wealth-creating, competitive capitalism, Egyptians got crony capitalism.

It would be a mistake to think that economic reform can wait until all of Egypt's political problems are resolved. If the economy continues to stagnate, Egypt's best and brightest will leave the country and millions of Egyptians will remain mired in poverty. Only a free and vibrant economy can provide the people of Egypt with meaningful jobs and the dignity that comes from being able to make a living and provide for one's family. That is the real lesson that Egypt and other Arab countries ought to learn from the death of Mohamed Bouazizi.

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