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Playing Fast and Loose with Terms like “Revolution”

| [More](#)^[1]

| March 4, 2011

| [Malou Innocent](#)^[2]

Last month, when I began following the developments in Egypt, I was reluctant to use the term “revolution.” It was far too early to tell whether the world would stand witness to fundamental changes in that country’s dominant political institutions, social order, and government policies—transformations typically associated with a term like “revolution.” Perhaps it would not go that far and remain an “uprising” or “revolt.”

As I [argued](#)^[3] in a co-authored op-ed this week in the *Washington Times*, militaries are antithetical to democracy; yet the regime in Cairo—a complex set of institutions that revolve around its military—remains firmly intact despite Hosni Mubarak’s departure. Sadly, a series of procedural changes is not a revolution, and for that to happen “Egyptians must refuse to submit to an unrepresentative elite promising state-delivered economic growth.” This social contract remains the crux of Egypt’s economic problems.

Despite steady economic growth over the past several years, politically connected business elites, influential party members, and a powerful military remain the stewards of a crony capitalist structure that deprives Egyptians of their wealth and dignity. Government-led policies have come to stunt the country’s economic growth. And despite a number of open-door reforms to improve Egypt’s dismal economic performance, these reforms simply overlaid the country’s pre-existing state-controlled, overregulated, and over-bureaucratized public sector. Graft increased astronomically, creating an entrenched class of army officers, public-sector managers, and members of the regime who became official middlemen.

My colleague, Richard Rahn, [makes similar points](#)^[4] about the need for fundamental economic reform in Egypt. He’s more sanguine than me and my co-author about the likelihood of real change, but his solutions for what should be carried out in Cairo are right on the mark. He recommends the following:

Foreign aid: Egypt is one of the world’s largest recipients of foreign aid and receives remittances from Egyptians who are working and living elsewhere. There is considerable

economic literature that shows foreign aid tends to promote dependency rather than development, and there is ample evidence of this in Egypt's case.

Red tape: Egypt is also hobbled by a suffocating and costly bureaucracy that adds unnecessary cost and delay to many business activities. The judicial system tends to be slow, arbitrary, and at times corrupt, which means property rights are not adequately protected.

Trade barriers: Tariffs and non-tariff barriers are too high to allow for the full potential of businesses. Given Egypt's strategic trade location with the Suez Canal, it would have much to gain by becoming a free-trade state and subsequently a great center for both distribution and transshipment.

Government ownership: The Egyptian government still owns too many enterprises that would be much more efficiently run if they were in private hands. Given its location, telecommunications infrastructure and a large number of educated English speakers, Egypt is a logical place to create a large financial center to better serve both the local and international community. But that's unlikely to happen so long as Egypt's banks remain under government ownership.

Deficits: Like many other countries, government spending is too high in relation to revenues. The result is a deficit of about 8 percent of gross domestic product in 2010 and a debt-to-GDP ratio of about 80 percent, both uncomfortably high. More rapid economic growth is the only cure for this problem.

Inflation: Egypt has had persistently low double-digit inflation, which causes resource misallocation and adds to economic uncertainty. Rather than pursue a more responsible monetary policy, Egypt has given in to the temptation of certain price controls, which cause black markets and shortages.

Overall, it is critical that Egyptians reassess the proper role of government and its historic role in perpetuating their country's economic injustice. As long as this legacy persists, there is little hope for genuine revolution.

More by

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