The Political Economy of Transition in Egypt

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Abstract

Using the example of Egypt's post-Mubarak transition, this paper outlines how a political economy analysis can shed further light on the dynamics of transitional politics as well as making tentative predictions on what may emerge from this transitional period. Specifically, it tests Haggard and Kaufman's (1995) assumptions that economic factors enable us to identify politically relevant groups as well as clarify how these groups will act in seeking to generate and consolidate popular support in times of rapid political change. Here, an analysis of Egypt's transition from January 2011 to June 2012 contradicts the first assumption, instead highlighting similarities on economic issues amongst confrontational players on the Egyptian political scene. However, it is supportive of the second assumption that, once underway, economic considerations are highly influential in shaping the actions of political players. These considerations are shaped by the dilemma facing transitional economies, that of meeting the divergent demands of a domestic audience and the requirements of foreign lending institutions.

Keywords: Egypt, Political Economy, Political Transition, Democratisation, Authoritarianism, Liberalisation

Mısır'daki Dönüşümün Siyasal Ekonomisi

Özet

Bu çalışma, Mısır'ın Mübarek sonrası dönüşüm örneğinden yararlanarak bir siyasal ekonomi analizinin geçiş siyaseti dinamiklerine nasıl daha fazla ışık tutabileceği konusunu özetlemenin yanısıra bu dönüşüm süreci sonucunda nelerin ortaya çıkabileceğine dair tahminlerde de bulunmaktadır. Özellikle Haggard ve Kaufman'ın (1995), ekonomik etkenlerin siyasi açıdan ilgili grupları tespit edeceğimizi ve bu grupla-

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rın hızlı siyasi değişim süreçlerinde halk desteğini arkalarına alma veya pekiştirmenin yollarını arama konusunda nasıl hareket edeceklerini açıklığa kavuşturacağımızı öne süren varsayımların analizini yapmaktadır. Burada, Mısır'ın Ocak 2011'den Haziran 2012'ye kadar geçen süreçteki dönüşüm analizi ilk varsayımla çelişmekte, ve bunun yerine, Mısır siyasi sahnesinde birbirine cephe alan aktörler arasında ekonomik konulardaki benzerliklerin altını çizmektedir. Ancak ikinci varsayıma destek olarak, hâlâ devam eden ekonomik faktörler de siyasi aktörlerin hareketlerini şekillendirme konusunda oldukça etkilidir. Bu faktörler, yerel bir kitlenin çeşitli taleplerini ve borç veren yabancı kurumların gereksinimlerini karşılamak gibi geçiş ekonomilerinin yüz yüze geldiği ikilem sonucunda şekillenmektedir.

Anahtar Kelimeler: Mısır, Siyasal Ekonomi, Siyasi Dönüşüm, Demokratikleşme, Otoriterizm, Liberalleşme

الاقتصاد السياسي للتحوّل في مصر

بنجامين ماك كوين

خلاصة :

تتناول هذه الدراسة باختصار كيف يقوم تحليل الاقتصاد السياسي بالقاء ضوء اكثر على ديناميكيات سياسة الفترة الانتقالية مستفيدة من نموذج **تحوّل** مصر ما بعد مبارك، اضافة الى تبيان التوقعات الخاصة بما سيظهر على ارض **الواقع** في نهاية فترة التحوّل هذه. وسنقوم بصورة خاصة بتحديد المجاميع ذات **العلاقة** بالعوامل الاقتصادية من الزاوية السياسية وفق ما يفيد به هاكارد وكوفمان.

كما سنقوم بتحليل الاحتمالات المطروحة لقيام هذه المجاميع في وتيرة التغيرات السياسية المتلاحقة وكيفية تحركها من اجل كسب تأييد عامة الشعب او في موضوع البحث عن طرق توطيد ذلك. ونجد هنا ان ثمة تناقض وفق الافتراض الاول في تحليل التحوّل في الفترة التي مضت في مصر بين كانون الثاني/ يناير ٢٠١١ وحزيران / يونيو ٢٠١٢. وبدلا من ذلك يجري التأكيد على المتشابهات في المواضيع الاقتصادية بين اللاعبين الذين يقفون في مواجهة بعضهم البعض في الساحة السياسية لمصر. غير انه ومما يسند الافتراض الثاني، فان العوامل الاقتصادية المستمرة هي بدورها تؤثر بشكل كبير على موضوع تحديد تحركات اللاعبين السياسيين.

ولا شك ان هذه العوامل تأخذ شكلها النهائي بنتيجة تحديد خيارين يجابهان اقتصاديات فترات الانتقال في مواجهة تلبية الطلبات المتنوعة لقطاعات محلية واحتياجات المؤسسات الاجنبية التي تتولى عملية الاقراض.

الكلمات الدالة : مصر، الاقتصاد السياسي، التحول السياسي، الدمقرطة، الليبرالية.

Contemporary Approaches to the Dynamics of Political Transition

Contemporary debates on political transition are framed by the work of O'Donnell and Schmitter on Latin America from the 1970s and Huntington's notion of democratic "waves" through to Europe in the 1980s.[1] Central to these debates were a focus on the role of political institutions that would shape and regulate the new political landscape. Here, an effort was made to isolate the conditions relevant to a transition process, often overlayed with a desire to promote democratisation, and develop policy frameworks to assist the transition process and consolidate a post-transition environment.[2] These views impacted support for democratic transitions particularly in the US and organisations such as the World Bank, leading to a proliferation of work on understanding how and why democratic transformations take place, and an effort to translate this into policies for governments and international organisations to sponsor, at least ostensibly, democracy.[3]

From the 1990s, criticisms of this approach focused on the assumed inevitability of a democratic outcome and the institutional focus of this approach. In terms of an assumed democratic outcome, scholars criticised the Third Wave approach as failing to account for the 'dysfunctional equilibrium' that many non-democratic states have achieved. This focused on the emergence of so-called 'hybrid regimes', where democracies emerged alongside electoral authoritarian regimes, pseudo-democracies and politically closed regimes.[4] Similarly, McFaul has argued that transitions in post-Communist states produced 'new kinds of dictatorship' alongside democratic regimes.[5] For McFaul, institu-

1 Guillermo O'Donnell and Philippe Schmitter, *Transitions from Authoritarian Rule: Tentative Conclusions about Uncertain Choices,* (Baltimore: Johns Hopkins University Press, 1986); Samuel Huntington, *The Third Wave: Democratization in the Late Twentieth Century,* (Norma, OK: University of Oklahoma Press, 1991).

2 Dankwart A. Rustow, "Transitions to Democracy: Toward a Dynamic Model", *Comparative Politics*, Volume 2, Number 3, 1970, pp. 337-363; Larry Diamond and Marc Plattner, *The Global Resurgence of Democracy*, (Baltimore: Johns Hopkins University Press, 1990); Juan Linz and Alfred Stepan, *Problems of Democratic Consolidation: Southern Europe, South America, and post-Communist Europe*, (Baltimore: Johns Hopkins University Press, 1996).

3 Arendt Lijphart, *Patterns of Democracy: Government Forms and Performance in Thirty-Six Countries,* (New Haven: Yale University Press, 1999); Frances Hagopian and Scott Mainwairing, *The Third Wave of Democratization in Latin America: Advances and Setbacks,* (Cambridge: Cambridge University Press, 2005).

4 Larry Diamond, "Elections Without Democracy: Thinking About Hybrid Regimes", *Journal of Democracy*, Volume 13, Number 2, 2002, pp. 21-35; Thomas Carothers, "The End of the Transitions Paradigm", *Journal of Democracy*, Volume 13, Number 1, 2002, pp. 5-21.

5 Michael McFaul, "The Fourth Wave of Democracy and Dictatorship: Noncooperative Transitions in the Postcommunist World", *World Politics*, Volume 54, Number 2, 2002, pp. 212-244.

tions remained important, but only insofar as they represented the interests of dominant groups at the time of transition, be they democratic or authoritarian. This form of liberalised autocracy or electoral authoritarianism appeared to be a particular form of political system that challenged the very fundamentals of the transitionalist approach.[6]

For others, issues arose with the institutional focus of the transitionalist approach being more about stability than development of democracy.[7] Previously, institutional development was assumed to be essential for the survival of nascent democratic systems. However, the fixation on institutional integrity during periods of transition was seen to facilitate a 'perverse institutionalization' that enabled an 'upgrading (of) authoritarianism' rather than genuine democratic development.[8] This was particularly so for the Middle East, where authoritarian systems continued to dominate. From a focus on the structure of the state, this literature also focused on the manipulation of political institutions, particularly elections as well as neo-liberal economic reforms by authoritarian regimes not as part of a liberalisation process but as a central part of their ability to survive.[9] In this environment, political participation took place largely through informal rather than formal political institutions.[10] These informal mechanisms include social networks, familial or business links, or patronage and client networks.[11]

6 Daniel Brumberg, "Democratization in the Arab World? The Trap of Liberalized Autocracy", *Journal of Democracy*, Volume 13, Number 4, 2002, pp. 56-68.

7 Kiren A. Chaudhry, *The Price of Wealth: Economies and Institutions in the Middle East*, (Ithaca: Cornell University Press, 1997); Stephen A. Cook, *Ruling but not Governing: The Military and Political Development in Egypt, Algeria and Turkey*, (Baltimore: Johns Hopkins University Press, 2007).

8 Ergun Özbudun, *Contemporary Turkish Politics: The Challenges to Democratic Consolidation*, (Boulder: Lynne Rienner, 2000); Maria Olavarrià, "Protected Neoliberalism: Perverse Institutionalization and the Crisis of Representation", *Latin American Perspectives*, Volume 30, Number 6, 2003, pp. 10-38; Steven Heydemann, *Upgrading Authoritarianism in the Arab World* (Washington D.C.: The Saban Center for Middle East Policy at the Borrokings Institution, 2007); Benjamin MacQueen, "Democracy Promotion and Arab Autocracies", *Global Change, Peace & Security*, Volume 21, Number 2, 2009, pp. 165-178.

9 Nazih Ayubi, *Over-Stating the Arab State: Politics and Society in the Middle East*, (New York: I.B.Tauris, 1999); Marsha Pripstein Posusney and Michele Penner Angrist (eds) *Authoritarianism in the Middle East: Regimes and Resistance,* (Boulder: Lynne Rienner, 2005); Larry Diamond, "Why Are There No Arab Democracies?", *Journal of Democracy*, Volume 21, Number 1, 2010, pp. 93-104; Laura Guazonne and Daniella Pioppi, (eds) *The Arab State and Neo-Liberal Globalization: The Restructuring of State Power in the Middle East*, (Reading: Ithaca Press, 2009); Lisa Blaydes, *Elections and Distributive Politics in Mubarak's Egypt*, (Cambridge: Cambridge University Press, 2011).

10 Ellen Lust Okar and Saloua Zerhouni, (eds) *Political Participation in the Middle East,* (Boulder: Lynne Rienner, 2008), p. 4.

11 Ibid, pp. 22, 97.

As a result, there has been a growing analytical consensus that transitions are better seen as a rolling 'experiment' rather than as a linear project with logical, predictable outcomes.[12] Therefore, reconstruction and reform are processes that give rise to a range of unintended consequences that are affected by local factors as well as external involvement. However, debate remains over a number of key features of transition periods. Namely, the influence of violence as a tool of political change, balancing the need for internally-driven momentum for change with a reliance on external support, and finally managing the need for political and economic stability in the vital early stages of reconstruction against pressure toward rapid democratisation, processes that may undermine this stability.

In terms of violence and transition, a number of studies have highlighted the likelihood of more successful transitions from authoritarian rule when change comes from non-violent activism.[13] However, this is a factor mitigated by the need to resort to force, in many cases, to dislodge entrenched authoritarian regimes. This crosses over with the problems of managing the success associated with locally-driven processes of reconstruction in ensuring legitimacy against reliance on externally-driven reconstruction. That is, locally-owned processes are more legitimate, but often need external help for financing and other assistance, undermining this very legitimacy.[14]

The Political Economy of Transitions

It is the third of these issues that is perhaps the most consequential and, counter-intuitively, perhaps the most under-analysed. Current understandings of the political economy of transitions are drawn from the experiences of Central and Eastern Europe after the collapse of communism. Here, there are echoes of both the transitionalist and modernisation approaches, particularly in terms of the emphasis on links between economic and political liberalisation. Here, authoritarian

12 Roland Paris and Timothy Sisk, (eds) *The Dilemmas of Statebuilding: Confronting the Contradictions Postwar Peace Operations*, (London: Routledge, 2009) , p. 11.

13 Jeffrey Haynes, *Democracy in the Developing World: Africa, Asia, Latin America and the Middle East*, (Cambridge: Polity Press, 2001); Adrian Karatnycky and Peter Ackerman, *How Freedom is Won: from Civic Resistance to Durable Democracy,* (Washington D.C.: Freedom House, 2005).

14 Roland Paris, *At War's End,* (Cambridge: Cambridge University Press, 2004); Jeremy Weinstein, "Autonomous Recovery and International Intervention in Comparative Perspective", *Working Paper,* No. 57, (Washington D.C.: Center for Global Development, 2005).

governments were able to deflect pressures for political reform whilst institutionalising economic reforms. However, this very adaptation has fundamentally changed the way economies are managed in these societies as opposed to the transition from socialist to market-based economies in Central and Eastern Europe in the 1980s and 1990s. This, therefore, necessitates a new approach to understanding the political economy of transition processes.

In terms of this changed landscape, liberalisation and particularly privatisation processes from the 1990s have been manipulated by authoritarian regimes to help perpetuate their rule. In the Middle East, this was taken advantage of whereby these processes 'represented a chance for ruling elites to reorganize or, better, shift patronage networks towards the private sector without undermining the power of the state as the ultimate source of rent'.[15] That is, whilst the formal mechanics of state control may have diminished, these states were able to not only adapt but potentially thrive in a new environment where their control is outsourced through unofficial channels whilst taking on the trappings of economic and political reform. As such, it is the transition itself that prompts new decisions with unintended consequences.

Here, there is a political and economic aspect to managing the balance between stability and change. In particular, the political element of this is related to the need for early institutional stabilisation versus the pressures toward democratic reforms. This intersects with economic dynamics in terms of the need for financial stabilisation, particularly in the face of the economic downturn that accompanies transition periods. This manifests itself primarily in terms of a drop-off in foreign direct investment, currency devaluation, a draining of foreign currency reserves, and other factors that destabilise a local economy.

Once destabilised in these ways, transitional economies begin to exhibit sharp inflationary pressure, driving up the price of basic foodstuffs as well as seeing food shortages on vital imports. In order to mitigate this, and kick-start growth, transitional governments require external financial assistance, usually from a global lending institution such as the International Monetary Fund (IMF) or the World Bank. To qualify for financing, these lending institutions require particular structural ad-

15 Laura Guazonne and Daniella Pioppi, (eds) *The Arab State and Neo-Liberal Globalization: The Restructuring of State Power in the Middle East*, (Reading: Ithaca Press, 2009), p. 5.

justments to be made, such as further currency devaluation, market deregulation, and cost-cutting measures like the removal of subsidies and the down-sizing of the public service that, in the short term at least, put inflationary pressure on prices as well as lead to growing unemployment.[16]

As such, transitional economies face a dilemma. The unrest that leads to the removal of regimes is often motivated by economic factors. However, the transition itself causes greater economic instability. Here, transitional governments are caught, on the one hand, between the need to promote short-term stability in the form of curbing inflation and providing employment and on the other with chasing vital foreign investment that requires reforms that run counter these short-term goals in terms of cost-cutting, the removal of subsides, and other measures. In political terms, this can often have the effect of curbing democratic reforms where transitional governments will delay major political reforms to off-set institutional instability and provide a safer environment for foreign investment. However, this also leads to further popular unrest when the "promises of the revolution" are delayed in the name of fiscal necessity.

This has obvious political outcomes where managing the need for political and economic stability in the vital early stages of reconstruction against pressure toward economic structural adjustment and rapid democratisation can therefore undermine necessary stability. This is particularly so for cases where external parties are involved and the quick introduction of, for instance, elections can help generate local ownership over new institutions.[17] However, it is increasingly evident that stability in early stages of reconstruction is as important as legitimacy in the establishment of new institutions.[18] This stability is often only achievable through manipulating democratic institutions to ensure inclusion through the use of quota systems or the reservation of political posts for sectarian groups and their elites. This directly undermines efforts toward building genuinely representative and legitimate political institutions.

16 International Monetary Fund, "IMF Lending", 20 March, 2012, <www.imf.org/external/np/exr/facts/howlend.htm>, accessed 5 June, 2012.

17 Stephen D. Krasner, "Sharing Sovereignty: New Institutions for Collapsed and Failing States", *International Security*, Volume 29, Number 2, 2004, pp. 85-120.

18 Katia Papagianni, "Participation and State Legitimation" in Charles L. Call, (ed.) *Building States to Build Peace*, (Boulder: Lynne Rienner, 2008), pp. 49-72.

This has left understandings of the role of economic factors in this highly fluid transitional period extremely opaque. One effort to bring clarity may come through the use of Haggard and Kaufman's two points of focus for the political economy of transitions: ascertaining 'politically relevant groups and their policy preferences' and clarifying how 'the opportunities for political elites to mobilise political support or opposition will depend on how economic policy performance affect the income of different social groups'.[19] In this understanding, economic factors not only help us understand the political landscape during a period of political transition, they can also help understand the timing and nature of transitions. This is particularly so in terms of the withdrawal of "old" regime elements from the system.[20] In addition, this mode of analysis may also allow us to identify how the strategic choices of new and old elites, both supporters and opponents of change, affect new structures as well as what constraints exists on this decision-making in the first place.[21]

Here, Haggard and Kaufman have a broad premise that focuses on the importance of context in transition. However, this context is defined primarily in terms of economic and institutional factors that affect choices, both in terms of options and constraints, of key actors. In this regard, institutional forces related to balance of power options, those factors discussed by, for instance, Huntington and his focus on symmetry and McFaul and his focus on asymmetry.[22] However, it is the importance of economic context that is significant here.

For Haggard and Kaufman, authoritarian withdrawal is most often precipitated by economic crisis. This was a situation particularly evident in Latin America and the former communist bloc in Eastern Europe. These crises lead to splits within elite structures (hence, a focus on institutional balance of power), allowing for the exploitation of political space by opposition movements. From this, it is the economic prefer-

19 Stephan Haggard and Robert R. Kaufman, *The Political Economy of Democratic Transitions*, pp. 4-6.

20 Stephen A. Cook, "The Promise of Pacts: Getting to Arab Democracy", *Journal of Democracy*, Volume 17, Number 1, 2006, pp. 63-74.

21 Stephan Haggard and Robert R. Kaufman, The Political Economy of Democratic Transitions, p. 6.

22 Samuel Huntington, *The Third Wave: Democratization in the Late Twentieth Century*, (Norma, OK: University of Oklahoma Press, 1991); Michael McFaul, "The Fourth Wave of Democracy and Dictatorship: Noncooperative Transitions in the Postcommunist World", *World Politics*, Volume 54, Number 2, 2002, pp. 212-244.

ences of new and old forces that shape their attitudes toward transition processes as well as dictating their post-transition political activity. Whilst this is useful in terms of understanding transitions prompted by economic crises, the case of Egypt raises two questions.

Here, an analysis of the transition period between January 2011 and June 2012 reveals that the key groups involved in the transition are *not* delineated by their economic programs, but by their political origins and attitudes to the nature of authority. As such, there are useful but limited applications to the political economy of transitions. In addition, the question may be asked whether the lack of clear economic distinctions between groups during transition periods reveals the priorities of those pursuing change, with a focus on strictly political rather than economic factors.

The Political Economy of Egypt's Transition

This paper will now examine the political economy of Egypt's transition from January 2011 to June 2012, testing the two assumptions made by Haggard and Kaufman as a means to assist in developing a more thorough understanding of the political economy of transitions beyond the transitionalist paradigm. The conclusions drawn are by no means definitive and exhaustive, but do paint a clear picture of how, contrary to Haggard and Kaufman's first proposition, economic policy stances may not be a defining feature of the Egyptian political landscape, but their second assumption, that economic policy choices will shape legitimacy and mobilisation, is increasingly apparent.

Egypt's Post-Tahrir Economic Landscape

In short, the economic state of "post-Tahrir" Egypt is dire. There was notable growth in the Egyptian GDP up to 2010 (5.3%), and particularly the period from 2005 to 2008 (6.4%). This growth had seen Egypt become the 26th largest economy in the world by the end of the first decade of the 21st century. However, this growth also masked many structural weaknesses, particularly a strikingly low per capita GDP of just over $6,000 in 2010, leaving almost half of the country's 83 million people below the poverty line. In addition, the official unemployment rate of 15% in 2010 was grossly underestimated, matched also by large rates of underemployment across the country.

However, three other factors have been critical to the viability of the Egyptian economy and fed into the unrest that broke out in January 2011. First, inflation, particularly on basic foodstuffs such as flour, oil, and kerosene, sat stubbornly between 15% and 20%. Combined with an ever-weakening Egyptian pound, the purchasing power of the country's large poor population was decreasing. This was linked to the second factor in a growing wealth gap where Egypt had slipped to 90th in the world for income disparity (or .344 on the Gini coefficient).[23] These first two factors, however, were subsumed by the larger issue of corruption.

Some progress on low-level corruption had been made in recent years in Egypt, however the structural manifestations of corruption had entrenched a wealth imbalance in the country that has fundamentally undermined economic performance both pre- and post-uprising. The central issue here is not so much the system of kick-backs for low-level government officials present in many regional states, but the institutionalised process of favouritism for those in positions of economic advantage to gain lucrative contracts in the construction and tourism industries. Here, access to financing and valuable contracts was restricted to those with large asset holdings or with evidence of long-term investment records. This effectively barred up to 95% of the Egyptian population from being able to take advantage of the growing economy, preventing social mobility and greater wealth redistribution.

In the wake of the Tahrir uprising, the Egyptian economy has toppled into near recession. Consistent budget surpluses have been reforecast as deficits, with $22.5 billion needed to service Egyptian budget deficit for 2012-2013. Foreign direct investment in Egypt has fallen from $1.6 billion in 2010 to $440 million in 2011, reversing the overall $14.7 billion surplus in the Egyptian economy to a $2.36 billion deficit. The instability associated with the uprising has seen the IMF and World Bank impose higher lending rates as Egypt is deemed to be a greater credit risk. This has prevented further investment and economic growth. Tourism, always a barometer of Egyptian economic performance, has dropped by a third and continues to fall. The first post-Mubarak budget sought to stem this trend, particularly the stemming the fall of the Egyptian Pound (24% drop from 2010 to 2012) by drawing on Egypt's foreign reserves. The use of foreign reserves to purchase local currency saw these reserves fall from $36 billion in December 2010 to $15 billion in April 2011.

23 The World Bank, "GINI index", 5 September, 2011, <data.worldbank.org/indicator/SI.POV.GINI>, accessed 6 June, 2012.

These dynamics have fed into the familiar dilemma, outlined above, that confronts transitional economies. In particular, international lenders are seeking greater deregulation of the Egyptian economy and a market-based currency valuation that would likely devalue the Egyptian Pound even further. In terms of currency devaluation, this would impact on inflation where imported commodities, particularly basic items, would increase in price. However, the transitional administration, between 2011 and early 2012, has not taken action on this for fear that it would further destabilise the already fragile political environment. As a result, foreign lenders have been gradually increasing the interest rates on their loans, leading also to higher domestic lending rates that have mitigated new economic entrepreneurship in this transition period.

An effort to coordinate the international response came through the so-called "Deauville Partnership" funding program announced at by the G8 in May 2011. This process was established to facilitate funding to Egypt (as well as Tunisia and Libya) to support both 'a political process to support the democratic transition and foster governance reforms' and 'an economic framework for sustainable and inclusive growth' to help 'create jobs and enshrine the fair rule of law, while ensuring that economic stability underpins the challenge of transition to stable democracies'.[24] The partnership was to provide for a $4 billion, 3 year investment by the European Bank for Reconstruction and Development in job creation and private sector development. However, uncertainty over both the constitution of the new government and the role of the future executive has hampered the deployment of these funds. The IMF also offered a $3.2 billion set of emergency loans, contingent on compliance with IMF regulations. However, negotiations over this also stalled in early 2012.

Political Economy Indicators for Egypt's Transition

As a result, the transitional administration of the Supreme Council of the Armed Forces and the Freedom and Justice Party (FJP), the majority in the new Egyptian parliament, are seeking to cater to two economic audiences – international lenders and the domestic consumers

24 The European Bank for Reconstruction and Development, "Deauville Partnership Finance Ministers' Meeting Communiqué", 20 April, 2012, <www.ebrd.com/downloads/news/deauville-partnership.pdf>, accessed 2 June 2012.

– each with divergent priorities. The priorities of international lenders for deregulation, removal of subsidies, and state spending run directly counter to the interests of domestic consumers who require employment, low and stable prices of basic items, and the prospects of social mobility. Pursuit of one of these priorities is likely to be to the detriment of the other, both dynamics working to undermine economic functionality.

Beyond this, however, can these dynamics tell us more about what is likely to emerge after the transition period? Or, can political economy analysis of a transition period hold predictive value? Here we turn back to Haggard and Kaufman's points on economic factors as critical in 'identifying politically relevant groups and their policy preferences' as well as clarifying how 'the opportunities for political elites to mobilise political support or opposition will depend on how economic policy performance affect the income of different social groups'.[25] In regard to Egypt, it appears that the former proposition does not hold whilst the latter does.

In terms of identification of politically relevant groups and their policy preferences, the landscape in post-Mubarak and post-Tahrir Egypt is unclear. The platform of the FJP is case in point here. Whilst there are repeated mentions of the need for social justice across the FJP's platform, this has not manifested itself in their official economic strategy. Here, focus is on 'partnership with the private sector', 'reconsidering the economic role of the state', and creating 'a climate of legislative requirements of economic reform'.[26] As such, there is a clear correspondence with the priorities of international lending institutions and broader neo-liberal economic policy. Again, however, this is balanced with other priorities that avoid privatisation on 'strategic industries such as medicine, food, energy, etc…', avoiding an 'elimination of the role of the state', and perhaps most controversially 'taking advantage of local resources "natural, financial and human" and the adoption of a production system based on a strategy to replace imports with local produce and products'.[27] In other words, neo-liberal rhetoric is matched with a suggestion of protectionism and state regulation.

25 Stephan Haggard and Robert R. Kaufman, *The Political Economy of Democratic Transitions,* pp. 4-6.

26 The Freedom & Justice Party, "FJP 2011 Program on Economic Development", 4 December, 2011 <www.fjponline.com/article.php?id=188>, accessed 7 June, 2012.

27 Ibid

The point here is not so much to highlight the inconsistencies of the FJP's platform, or to develop new modes of understanding how Middle Eastern political actors articulate economic programs (although the latter is an important avenue of inquiry), but to illustrate the idea that the economic preferences of this group, arguably the most influential player in post-Mubarak and post-Tahrir Egypt, does not lead to a greater understanding of how they will act and the types of institutions they will seek to forge. There are certainly examples of ardent adherents to a neo-liberal economic policy in the FJP, such as Khairat el-Shater, but this is off-set by many other members of the FJP and their Islamist counterpart in the an-Nour Party, who regularly resort to populist economic language and policy stances to broaden their base.[28]

In addition, there is little to differentiate the FJP from their main secular rivals, such as the New Wafd or smaller parties such as the Reform and Development Party or the Ghad el-Thawra Party. Each of these groups seeks deregulation of the cumbersome process of business registration and access to finance. There are some apparent divisions over how the taxation system should be structured as well as particular social programs. However, these are all oriented in the same fundamental view of economic functionality. As such, it is social issues such as the role of religion that is the most divisive feature here, not economic policy.

This leads to the second point made by Haggard and Kaufman, that economic policy will largely dictate the success of transitional arrangements. Here, there is clearer evidence from Egypt that this is a solid assumption. This is reflected in the rather confused economic policy program of the FJP and the even more obscure platform of an-Nour. The neo-liberal orientation of these parties, particularly the FJP, is under strain due to popular pressures for the maintenance of large public spending programs such as food subsidies as well as the maintenance of state sector enterprises. This can be seen in the references to this in the FJP platform. There is also convergence over the need for greater clarity in terms of mitigating corruption. However, the FJP reply to this is revealing in that it focuses on state regulation of business practice, something that again diverges from their ideological roots in an effort to tap into popular sentiment in this regard.

28 Jason Hickel, "Neoliberal Egypt: The hiacked revolution", *Al Jazeera English*, 29 March, 2012 <www.aljazeera.com/indepth/opinion/2012/03/201232784226830522.html>, accessed 7 June, 2012

The upshot of this is that there are clear policy choice constraints placed on actors during periods of transition as a result of political economic considerations. This is not the result of pre-determined ideological preferences, although this is important, but is more referential to popular preferences as shaped by previous political experiences. That is, the factors that defined unrest against the old regime, such as corruption and mismanagement, become priorities for reform on the part of the broader population. These priorities constrain the decision-making capacity of new regime figures in order to ensure they survive the initial transition period. However, this plays into an over-arching dilemma facing transitional societies in the need to meet both popular expectations as well as often contradictory international demands.

Conclusion

Using the example of Egypt's post-Mubarak transition, this paper has sought to outline how a political economy analysis can shed further light on the dynamics of transitional politics as well as making tentative predictions on what may emerge from this transitional period. Specifically, it has tested Haggard and Kaufman's assumptions that economic factors enable us to identify politically relevant groups as well as clarify how these groups will act in seeking to generate and consolidate popular support in times of rapid political change. Here, the Egyptian case contradicts the first assumption, instead highlighting the similarity amongst confrontational players on the Egyptian political scene. However, it is supportive of the second assumption that, once underway, economic considerations are highly influential in shaping the actions of political players. These considerations are shaped by the dilemma facing transitional economies, that of meeting the divergent demands of a domestic audience and the requirements of foreign lending institutions.

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