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A Revolution of Reforms? A Possible Agenda for Transition in Egypt

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It is reasonable for outsiders to wonder whether the Egyptian regime can be changed, just as it was reasonable a month ago to suppose that President Mubarak would be able to manage and contain the demonstrations. These remain early days, the military remains in charge, as it has been for more than fifty years, without institutional checks and balances or mechanisms for accountability. The forces that brought down Mubarak have not yet brought down his regime. They remain fragmented and lacking in institutional structure. Before we dream about agendas for reform, we might well worry whether it is realistic to expect much to change.

Yet such worries underestimate the profound transformation in consciousness wrought by the experience of revolution for many Egyptians. Millions of people believe things have changed and realize their collective potential. This is the key point – the collective self-image of an enormous number of Egyptians, from the secular elites to the traditional opposition, from the bourgeoisie to the unemployed laborer, has been transformed. Not everyone, of course, and not all the time. Consciousness is a fluid and mercurial thing at such times. But there is an opening for imagination, for personal and collective dreams and hopes, which was not there a month ago. Even if all the institutions remain the same, this will not be the same Egypt.

Whether it will be a better Egypt, whether their new hopes about themselves will be realized, remains to be seen. Much will depend upon how they take possession of the transition, define a common set of objectives for sustained reform, and maintain the momentum to get there. Besides momentum and a new consciousness of themselves, they have one crucial advantage: the rulership has also had to re-evaluate. The military has been thrust into an unfamiliar role as rulers without a political front man, aware that the population's expectations, self-confidence, and patience are all together different than a month ago. Even if they remain in charge, they will not be the same military.

Transition to what? Where might we hope this all leads?

Here we should take our cue from the demonstrators' own demands: bring "the system" down, replace it with a government and economy of institutions rather than individuals, with an open political and social culture, and with an equitable economic development strategy well designed to generate growth. The Egyptian revolution had its roots in aspirations for dignity, participation, and economic opportunity. Those who participated shared a common hunger for the respect that comes from economic and social potential for oneself and one's family and freedom from arbitrary power in everyday life.

We must remember that this was not only a facebook-inspired revolution of urban youth in the center of Cairo. Established religious communities and parties were there. The labor movement, nurtured in the now declining industries of the Nasser era, was there. It may be that the regime only truly came unglued when unrest spread to the industrial cities of Suez, Mahallah and Alexandria. The dramatic

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events of the last month had roots not only in social media, but also in a decade of labor protest, which had generalized the experience of vulnerability to arbitrary state power across the working class. al media.

Realizing the aspirations of such disparate constituencies will require more than constitutional reform, elections, or new leadership. It cannot be generated by schemes of transitional justice or the prosecution of those singled out as responsible for thirty years of stagnant political and economic life. In truth, millions of Egyptian citizens found ways to accommodate their lives to the old regime – that is part of what made their sudden collective determination to overthrow it so striking *to them*. Completing the revolution will require a new social and economic bargain, reinforced by the creation of an open and responsible political culture and of an institutional structure capable of sustaining a sensible economic development strategy. It will require the establishment of social and institutional conditions capable of ensuring a vigorous culture of moral responsibility, open debate and accountability, as well as religious freedom.

Early days – what to look for

Looking back at other transitions – in Eastern Europe, in South Africa – we can see that what happens in these early days, and how others interpret what happens, can make an enormous difference in the longer term. Unfortunately, it is very difficult to say just how. Large battles sometimes matter very little, while small things can lay down unexpected long-term pathways. Much done in the name of reform will doubtless be done to consolidate the status quo, just as stability now may turn out to be the long-term friend of real change. A new constitution will not be a new political order, anymore than an election will transform a politics of individuals into a political culture of institutions.

At such a moment, time speeds up and it is difficult to evaluate what will be enduring, particularly from a distance. Will it be meaningful to remove – or reinforce – reference to shari’a in the constitution? Would it mean more to change the way religion is registered as part of one’s identity in government documents and identity papers? Whether such things are hotly debated – or completely ignored – we simply cannot know at this point which will turn out to be significant. As often in today’s heated-up media cycle, the Western media has rushed to give long-term meaning to very short-term events, statements, and personality shuffles. We should sit tight – this will take some time. From the outside, it is easy to misread the signs, to interpret them against old metrics, to mistake forms for reality.

The Egyptian leadership is undoubtedly being buffeted from all sides by demands and recommendations about where to begin. At the same time, the “transition” process offers complex opportunities for existing and aspiring elites to jockey for position and struggle to improve their position for the next round. Signals are more significant than substance, and everyone is trying to send signals. The method, speed and extent of the proposed constitutional revision is a signal, but not a plan for political reform. The abolition – or reinforcement – of Article 2 of the old Constitution establishing principles of shari’a as the main source of legislation sends a signal, but will not establish the foundation for a cultural accommodation of religious life. Seizing assets, calling for prosecutions, denouncing corruption are all signals, but not a plan for the transformation of Egypt’s dysfunctional and kleptocratic economy. In each case, everything will depend upon what happens later. How will Article 2 -- or its absence --- be interpreted by judges? Will fighting corruption mean cleaning up procurement and reducing opportunities for private rent-seeking at the top, or will it mean a more equitable sharing of the nation’s wealth?

A possible agenda for transition

Once a transitional government is in place, whether it is composed of technocrats or broadly represents the range of movements and parties, it will have three large sets of issues on its desk: political reform, economic reform, and the reform of information and cultural policy. A meaningful transition – completing the revolution – will require sustained effort in each area.

Political reform. There seems to be no Egyptian Mandela and no obvious new Mubarak, although there will certainly be contenders for that role. That creates opportunities but makes them difficult to realize. Breaking with the old regime, freeing political prisoners, lifting the emergency law, scrapping the current law restricting the formation of political parties, establishing the constitutional and institutional prerequisites for selecting a new government, laying the basis for a new relationship between policy and citizenry, military and civilian leadership – this is an enormous agenda on its own. It is tempting to imagine that it can be achieved by constitutional amendment or legislative decree or by the dismissal or appointment of one or another official. But we know from experience elsewhere that a more open, inclusive, and responsible political culture of institutions cannot be legislated or decreed.

We will certainly learn something from the constitutional revisions that are proposed. They will signal where the elites believe they are headed. But constitutional reforms are not the main story here and nor are elections, although it will be important to do what one can to get them right.

Unfortunately, the stagnant politics of crony-capitalism is compatible with an extremely wide range of constitutional arrangements that survive across the developing world in the shadow of myriad legislative pronouncements and electoral practices. Even putting social and economic justice prominently into a constitutional text, as we have learned from South Africa, is no substitute for rebuilding the economic, political, and legal arrangements which reproduce inequality or stifle growth.

The revolution was confluence of an extremely wide array of social, economic and political forces, sharing bitter experience at the hands of the regime, but otherwise quite distinct. The institutions for an open political culture among these groups will only be built and sustained if cultural and economic reforms succeed. In this sense, political reform may best be approached indirectly, through economic reform and cultural change.

Economic reform. Serious economic reform would mean dismantling the crony capitalism of the rentier state and replacing it with vigorous and equitable national economic development. This is very difficult to do. What is often hard to remember is that this is not the same thing as adopting neo-liberal policies of privatization, deregulation, or free trade. Unfortunately, more than two decades after the exuberant one-size-fits-all development models of the Washington Consensus were everywhere chastened and discredited, many remain primed to judge economic reform in Egypt by the obsolete metric of “openness,” measured policies of “privatization,” “free trade,” and “anti-corruption.”

Most importantly, a focus on “opening” the economy in these ways ignores the far more important social demand for equitable participation in the economy. The import-substitution industrialization project of the Nasser regime made a powerful social promise – the gains from industrial development would be distributed to a new working class as wages and subsidies for the purchase of essentials. The promise was only imperfectly realized, of course, and at great cost to many others, particularly in the rural and agricultural sectors. In any event, that program is no longer available. Egypt’s economy has been repositioned to be far more dependent upon its role in the global economy, its natural resources

and strategic position, than upon its own industrial production. A new social deal will need to be struck.

Beginning in the 1970s, the Nasser era social promise was dismantled as the economy shifted to depend far more on what might be termed public “rents” from extractive industry, foreign aid, Suez canal fees, and the various fees and taxes extracted from state-controlled, if not state-owned, sectors of the economy – most crucially, tourism. These public rents have been distributed to Egyptian and foreign entities close to the regime, while the conditions for a social wage have been dismantled. The result has been the progressive pauperization of the vast majority of the Egyptian people. Subsidies have been replaced by micro-credit, enforced in ways which have extended the experience of vulnerability to arbitrary police power across the nation’s poor. Periodic half-hearted campaigns to “open” or “reform” the economy have been part of the problem, as subsidies have been withdrawn, wages have fallen, and social welfare has devolved from a national responsibility to families and local or religious communities. Women have often borne the brunt of these changing social conditions.

Completing the revolution will require that the conditions for robust economic development are linked to new modes of social welfare. Import substitution industries now compete with foreign production and are, in any event, no longer a large enough component of the economy for industrial wages to be a sufficient social welfare cushion. Wages will need to rise throughout the economy, and subsidies for basic commodities will need to be replaced by support for human capital development in education and health as well as credit and other support for small and medium-sized enterprises.

In Egypt, as elsewhere, “privatization” has been an integral part of crony-capitalism. Friends and family of the leadership have embedded themselves in the “private sector.” Further privatization could well offer more of the same, entrenching interests who will have the motive and capability – even the legal entitlement – to frustrate future development policy. De-concentrating economic life today will require the careful management of industrial, anti-trust, and credit policy, oriented to the successful establishment of new competitive national firms in various sectors, far more than further privatization of public enterprises. Indeed, public ownership and management may continue to be crucial. Replacing public with private rent-seeking is less important than ensuring that the economic life sustained in the wake of these rents is vigorous and competitive.

Much of Egypt’s economy flows through the regime, including fees from the Suez Canal, receipts from natural gas, foreign aid, as well as returns from multiple taxes, tariffs, and fees. At present, much state income is not reported in the state budget, but has been managed directly by the President without parliamentary oversight. Transparent budgeting in the hands of an accountable development agency or bank would be a crucial first step. The Central Agency for Accountancy, reporting to a newly independent Parliament, could play a crucial role here. A truly independent and professionally competent development agency or bank should aim to ensure that economic activity generating public rents – including tourism, energy, and telecommunications – and supported by the disbursement of those rents in areas such as construction or housing, all have strong forward and backward linkages to the rest of the Egyptian economy, support a decent minimum wage, and be characterized by transparent and accountable contracting procedures. Egypt will need to retain the national economic freedom of action to carry out such reforms.

Much as we can all applaud efforts to reduce “corruption,” most of what we can expect to hear in the coming months from Egypt on this score will be sound and fury – of political rather than economic significance as people settle scores and jockey for position in a new political and economic landscape.

Comparative study of “anti-corruption commissions” demonstrates how routinely procedures of investigation have been instrumentalized by private or political interests to become a form of corruption by other means. Indeed, the longer-term effort to build an open and productive economic culture can be set back by misguided anti-corruption prosecution. Open procurement procedures, realistic civil service wage structures, a culturally embedded sensitivity to conflict of interest, must all be achieved institutionally and culturally. A complex, if dysfunctional, economic system cannot be prosecuted into submission. It must be rebuilt from within.

We need to remember that crony capitalism works. People throughout the economy are complicit and embedded in its embrace. Moreover, not everything should be dismantled. Quite the opposite; the economic transitions in East/Central Europe, Russia, and China teach us, in different ways, the importance of existing economic habits, pathways, and social relationships to fuel new economic activities. We must recognize that the social relations forged under crony capitalism will remain crucial as new forms of investment and new economic opportunities emerge. Over time, of course, eggs will need to be broken, resources will need to be re-arranged, economic entitlements will need to be conditioned on economic performance, and so on. Indeed, it is important not to fortify cronyism with entitlement.

At the same time, however, one can only un-build current conditions of economic survival by offering people alternatives. The military, for example, will need to return to their barracks, but they will need barracks to return to. The police will need to return to the streets, but with sufficient tools, salaries, and technologies to guarantee a new public order. Unpredictable and unaccountable abuse at the hands of public authority was not only a tool of political power; it was an economic order, enabling individuals within the police establishment to collect fees from those it could abuse. Disestablishing that abuse requires a new economic basis for the maintenance of public order – namely, a sufficient distribution of public rents to the police to ensure professionalism.

One cannot abolish crony capitalism in a day because to do so would also abolish economic life. After all, closing an inefficient enterprise is only helpful if one also is able to transition the people and assets to more productive uses. Opening the domestic market to free trade, as was done in the early days of the Iraq occupation, may quickly put inefficient local firms long protected by the sinews of the rentier state out of business by allowing imports to flood the market. But that is not at all the same thing as transitioning those inefficient firms to more robust economic performance. Rather, it is the opposite. Swift deregulation of financial services may increase the competitive penetration of the local banking sector by foreign firms, but that is not the same thing as ensuring the availability of credit for small or medium-sized enterprises in the economic transition, or bringing the unbanked poor into the nation’s financial system. The point is to strategize about *how* one engages the global economy where there are opportunities for local firms and industries to capture and reinvest rents from trade.

Accomplishing such a sustainable economic revitalization requires trust and collaboration, for it will create losers as often as it opens new opportunities. To get there, state regulation and participation in the economy will continue to be important. Much as one needs to rely on existing relationships and pathways, one also needs to be able to transform them. Economic arrangements will need to remain flexible, harnessed to a national capacity for making and remaking the opportunities for productive economic activity. To that end, economic reform and equitable development require an open horizon of policy space and a national capacity to debate and alter the conditions for economic life.

Again, the keys will be institutional and cultural. We should look for cultural changes in attitudes towards petty bribery, institutional regularization of army and government procurement, establishment of realistic civil service and military salary structures, and increased transparency in the distribution of rents, licenses, and contracts. Years of cosmetic reform have left a residue of ineffective economic regulatory agencies and “High Councils” on everything from population and motherhood to human rights. These will need to be rendered credible and effective – or abolished. More important than anti-corruption or transitional justice machinery will be things like the establishment of a transparent state budget, the independence of a professional national development agency or bank, the emergence of competitive national firms, the establishment of a realistic and sustainable minimum wage, and the establishment of an independent institution to manage and fine-tune industrial and development policy. These things are not mysterious – all have been achieved elsewhere, reinforced by cultural habits and attitudes. Accountability, for administrative and economic actors, requires habits of monitoring and adjustment which must be embedded in institutions and supported by cultural confidence in the direction of economic transformation.

Culture and information reform. Here is a key demand of the opposition: the development of an independent and open information space as well as changing habits of secrecy at the top. The workings of the old economy were always transparent to someone but just not to outsiders. It was by seizing the initiative to forge a new social narrative and by managing the image and information about what was happening that the revolution gained momentum, broke through, and has now gone viral across the Middle East. We are accustomed to thinking about it as a matter of constitutional protection for freedoms of speech and assembly on the one hand, and of deregulation in the telecommunications and internet space on the other.

These are certainly important. But the cultural reform necessary to sustain a meaningful economic and political transition, which would complete the revolution, will require something more. Enshrining rights in a constitution, even social and political rights, is quite different from rebuilding the conditions of social and economic possibility. A culture of economic accountability and social solidarity cannot be adjudicated into existence any more than it can be legislated. A social and cultural project to deepen the society’s commitment to “rights” may be useful but it can also generate habits of individual grievance and entitlement rather than sustaining the collaborative effort necessary to achieve social justice over time. And, it can restrict the horizon for economic policy and institutional reform.

Political and social life has heated up over the last weeks. The key will be to sustain that sense of collective engagement over time, and to encourage an ongoing collective discussion about the nation’s direction that remains open to experimentation and innovation. Only in such an atmosphere, for example, can a habit of religious freedom and pluralism be sustained without devolving into a set of rigidifying sectarian trade-offs and accommodations. Only in such an atmosphere can the ongoing transformations of the nation’s political and economic life necessary for robust economic development be sustained without settling into a new arrangement of self-dealing and cronyism.

We will hear a great deal about the preparation for elections in Egypt. There is no question fair elections require a firm institutional foundation. But for elections to lay the foundation for a new politics, they will also require an electorate ready to debate and engage in ways that do more than strengthen existing social identities and established professional or religious communities. As elsewhere, these divisions have been deepened by the cultural habits and institutional practices of crony capitalism. As at other revolutionary moments, the terms for future ideological debate and social mobilization in Egypt are open. Transforming industrial, labor, professional, or religious affiliations into political parties without

freezing the national political debate in ideological ritual will be very difficult. Even small things can matter a lot. Completing the revolution will require a tacit alliance among technocrats who either served the old regime or left the country, a rising professional and middle class, alongside the traditional social, religious, labor and industrial groups. Simple things – a regular national television show bringing people from these and other backgrounds into a common discussion about the nation’s future – may matter more than careful election monitoring or sound administrative rules for participation in the electoral process.

It will require serious work. There is a role here for civil society, for the media, for the spontaneous revolutionary groups and neighborhood committees which have sprung up, as well as for the traditional opposition, the trade unions, and the civil service organizations. Across these groups, women have taken on new authority and their leadership will be crucial. To a large extent, of course, the new Egypt will need to be built from the institutions of the old. The judiciary, for example, could play a key role. Although in large part a professional and independent institution, the judiciary suffers from political pressures, low salaries, and difficult working conditions. It will need serious repair before it can help midwife a revolution of reforms.

The cultural and institutional objective is to model and rehearse new forms of political and social collaboration, new attitudes towards economic and political participation that are not just a matter of new hands on the reins, but of new forms of social and economic cooperation. Much that now happens in the informal sector, within communities defined by religious, class, professional, or neighborhood identification, will need to be generalized across the society. People will have to learn to do business with anyone and to carry on politics with everyone. Only in this way will the force of the revolutionary transformation in collective consciousness become the driveshaft for meaningful political and economic reform.

Undertaken in the right spirit, political, economic and cultural reforms reinforce one another. But the greatest of these is cultural. We have an unfortunate tendency to treat the political transition as most immediate and significant, as the precondition to a sensible economic development path or an open information culture. In fact, things are just the other way around. This is an inter-subjective revolution, which will be won or lost in the minds of the Egyptian people. As a consequence, the most important reform priority and the terrain on which a “new Egypt” will or will not be built is cultural. Many of the demonstrators understood this. Managing media and information, from foreign journalists to social media and street graffiti, was their *métier*. Cleaning up the square may turn out to be as significant as this or that appointment or reform timetable for what happens longer-term. Indeed, the most significant issue is how the Egyptian people come to metabolize what has happened – whether they are able to consolidate their revolution in habits of engagement and debate, entitlements to know, and routines of tolerance and freedom. Only then can we expect a development policy to remake economic life, or a rearrangement of constitutional powers to remake the culture of Egyptian politics. Only then will the revolution have been won by reform.