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Tunisians set off on the road from serfdom

By Saifedean Ammous and Edmund Phelps

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State agencies had a stranglehold on virtually all the economy, write Saifedean Ammous and Edmund Phelps

When Mohamed Bouazizi set himself on fire on December 17, his act of protest resonated across Tunisia. Thousands spent the next month in the streets demonstrating against the regime of Zein al-Abidine Ben Ali until its fall on January 14. It was the first time in decades that an Arab people had toppled their dictator, providing fresh hope for millions living under regimes similar to Mr Ben Ali's.

In western minds, Arab states operate rudimentary free-market economies. When a ruler, becoming too greedy, sets so high a tax rate on producers as to cause wide resentment, a regime change is negotiated. Clever rulers make hidden additions to their income through bribe-taking and salaries for family members. Still, it is thought, these economies operate pretty efficiently with the poor cards they have been dealt. So, as Bouazizi enters Tunisian and Arab folklore, the western world is puzzled: why the self-immolation and why did it spark mass demonstrations?

Bouazizi was selling vegetables in the streets of Sidi Bouzid when police confiscated his stand on the grounds that he lacked the required permits. Unable to afford the permits and a new stand, Bouazizi's livelihood was destroyed. He had no other way to support himself.

In Mr Ben Ali's Tunisia, nearly all business activities, not just selling vegetables on city streets, were placed under the supervision of the regime. Permits were sold to poor people to raise the revenue that increases in income and sales taxes might not. Among the middle class, those awarded privileged positions were selected for loyalty to the regime more than for business acumen. Worse, under this system, rulers played a direct part in the control of many big enterprises.

Thus state agencies and state-run corporations had a stranglehold on virtually all the economy.

The losses of inclusion into the market economy suffered by poor people were a grave injustice. Millions of Bouazizis, unable to find a job in a state-controlled labour market and powerless to start a business without the proper connections, found it impossible to be productive members of society. “It was peaceful,” a young woman told a reporter, “but poor people didn’t have any chance to live.”

The protection of sclerotic state-backed enterprises from the entry of new ideas and new people has closed off many better ways to operate. The dearth of innovation, in turn, has had a chilling effect on job creation and the growth of incomes.

There are many problems in the Arab world, and they vary from country to country. But the grip of the state on the economy is extensive in many Arab countries – and non-Arab ones too. Decades of socialist-leaning centralisation gave way to decades of “free market reforms”. But these reforms have not, on the whole, loosened central control over people’s careers. The only change was that under socialist-leaning systems, this control was exercised by governmental agencies, while in the recent systems it is exercised by “private” companies run by the ruling regimes.

Last week, Hillary Clinton, US secretary of state, remarked to a group of Arab leaders that many Arabs had “grown tired of corrupt institutions and a stagnant political order”. She seemed to miss, though, an important lesson of the events in Tunisia when she said: “If leaders don’t offer a positive vision and give young people meaningful ways to contribute, others will fill this vacuum.” Tunisia was failing not because it neglected to “offer” its people opportunities; it was failing because it denied them opportunities, as in the case of Bouazizi. This is the simmering volcano with which many Arab regimes must contend. Regimes that stifle their people’s chances for prosperity and personal development do not deserve to survive, nor should they expect to.

What to do? Arab states must continue to create enabling institutions, including better education. But education is not sufficient. In Tunisia, an Arab leader in this area, there is huge unemployment among the educated. The first step must be to cease propping up sclerotic state-backed businesses and to cease blocking people’s initiative in pursuing even the humblest enterprise.

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