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**Khalid Ikram**, *The Political Economy of Reforms in Egypt: Issues and Policymaking since 1952*, American University of Cairo Press, Cairo, 2018, pp. 428.

This volume offers an interesting perspective on some of the determinants of the different development policies that have marked the history of Egypt since 1952. Readers should be aware that Khalid Ikram is a senior economist at the World Bank, who has dealt with issues relating to Egyptian economic development for forty years, including service as director of the Bank's Egypt department. The author analyses the way in which the relationship between economic objectives and government policy needs has determined development strategies and influenced their application, offering a series of highly interesting insights into the process of negotiation and decision by Egyptian policymakers and their relationship with the officers of international financial institutions (IFIs), government officials and Western diplomats. Ikram relies partly on direct conversations with the protagonists and first-

hand experiences, partly on unpublished primary sources. If these elements make this a valuable contribution to the literature on the political economy and economic history of Egypt, at the same time it is impossible not to see how Ikram's perspective is that of international financial institutions during his years of service. Far from being simply a negative element, however, this enables the reader to question the priorities and theoretical considerations underlying the actions of the IFIs in Egypt. At the same time, the author is not averse to personal considerations and explicitly points to some of the miscalculations and errors made by IFIs. In this sense the text also helps to define the factors behind the reformulation of the Washington Consensus around the turn of the century, and can be precious for those who want to delve into IFI involvement in the Middle East and North Africa. This highly readable book is the ideal continuation of Ikram's *Egyptian Economy, 1952-2000: Performance Policies and Issues* (Routledge, 2006), a work on the same theme but more technical and less focused on the relationship between political necessities and economic policy.

This work is an ambitious effort to analyse the intertwined relationships between the long-term, structural problems of the Egyptian economy, the strategies adopted to deal with them, and the political objectives of Egyptian governments. However, the author tends not to consider political and social objectives as such but instead to view them as inevitably determined by politicians' desire to remain in power. As such, politics and social demands are, essentially, simply an obstacle to the application of the measures dictated by pure economic rationality. In this sense the theme found in the first part of the text – in the second, albeit in a relatively inconsequential manner, there is greater attention to issues of equity and a criticism of the trickle-down theory – can be traced back to Thomas Sowell of the Chicago school, in a dictum quoted by Ikram: "The first lesson of economics is scarcity: there is never enough of anything to fully satisfy all those who want it. The first lesson of politics is to disregard the first lesson of economics" (p. 152). This approach precludes proper appreciation of the reasons un-

derlying, for example, Nasser's foreign policy choices, which are assessed, with little if any consideration for the broader historical context, strictly in terms of their effects on the flow of aid and investment from the West. Political stances are thus viewed merely as rational choices determined essentially by the highest possible return in terms of power and regime stability and scarcely influenced by social objectives or historical factors.

The structural challenges that Egypt has faced throughout its history as an independent nation, as Ikram describes them, are the need to accelerate productivity growth, to create jobs in proportion to the growth of the labour force, thus generating sustainably high GDP growth that can meet the needs of a growing population, and to increase savings – and curb consumption – in order to keep the foreign account deficit manageable. Egypt's main long-term economic challenge, that is, is to go over from a strategy based on the accumulation of inputs to one based on productivity growth. In Ikram's view the Egyptian economy needs to grow 7% per year in real terms for the next two decades, with a savings rate of 25% or even 35% of GDP in order to create 700,000 jobs annually. Low productivity is seen as the cause of Egypt's lack of competitiveness on global markets. The introduction pinpoints economic weakness as the root cause of Egypt's historical lack of independence and inability to refuse foreign influence: the International Financial Commission and colonialism in the nineteenth century and Soviet funding for the Aswan Dam and the measures imposed by the IMF and World Bank in the twentieth. He does not question the first-generation measures implemented by IFIs and contends that precisely in order to increase total factor productivity Egypt needs second-generation reforms, while taking little if any account of the actual political situation.

The first chapter presents an extensive review of the literature on the political economy of reform, covering both academic studies and working papers and analyses produced by the IMF and WB. It stresses the importance of crises in triggering reform, the development of

reforms and aid packages by IFIs, and the political-economic dynamics that shape foreign aid. The author makes several theoretical claims, arguing that the traditional distinction between democracies and authoritarian regimes as regards propensity for reform is overdrawn. Citing Olson, he contends that more important than the nature of the political system is the role and influence of special interests in government. In Ikram's view, interest groups are decisive in shaping, impeding or fostering a set of reforms, eventually helping to determine the economic policy outcome.

Chapter two traces the main economic indicators from 1952 to 2016. GDP grew, albeit discontinuously, by an average of 4.7% per year over this period, driven primarily by low-value-added outputs consumed in the domestic market. While this preponderance of domestic consumption depended on the strength of that particular interest group, per capita income rose from \$406 in 1965 to \$1,630 in 2016 (at 2005 exchange rates). The closing part of the chapter sets out the analytical structure on which the second part of the text is based: the gap between investments and savings, population growth and an inadequate employment structure, persistent gaps between government revenue and expenditure, a high incidence of poverty and near poverty, and inequality.

This structure is complemented by analysis of population issues, in particular Egypt's prolonged demographic transition, in the third chapter. This phenomenon, the author says, may produce positive or negative outcomes depending on the structure of the economy. It could lead to higher productivity growth and more per capita savings. The effects of population growth, regional inequality and the lack of an urbanization strategy are discussed from the macroeconomic and quantitative standpoint. As to urbanization, it is surprising that the author fails to mention the enormous projects being carried out by the al-Sisi government, especially the 2015 project under way to construct the "future capital of Egypt" – a plan in line with the tradition of brand new cities inaugurated by Sadat and carried forward under Mubarak.

This is an extremely important element, but its implications and effects are not dealt with.

The fourth chapter covers the period 1952-70. Ikram emphasizes that the military officers who came to power did not have an economic strategy at the time of the coup, but that the putsch was nevertheless the product of the international and domestic context and the need for development. A first phase of liberalist economic policy was followed by a protracted period in which GDP growth coincided with increasing government economic intervention, with great importance also attached to land reform. In this sense, 1956 was a turning point for the development strategy. In the author's analysis, closer relations and the purchase of machinery from the Eastern Bloc countries had a lasting effect on labour productivity, while at the same time cutting the country off from Western aid; and the government commitment to supporting employment constituted an increasing burden on the state budget.

This is followed, in chapter five, by an analysis of the liberalization policy introduced in 1974, which was marked by expanding consumption and a deterioration in the balance of payments. Ikram's position on this policy is of special interest. He argues that *Infitah* was not a comprehensive strategy – as was commonly thought in the West – but rather a step-by-step response to a changed international situation and the need to attract foreign capital, given the dearth of domestic savings. This chapter examines the period 1974-1980, and the author's insights prove to be most valuable in his account of the intergovernmental debate that led the executive to accept the IMF's demands, and the friction between the World Bank and the IMF over the termination of the food subsidies, which triggered the "bread riot" of 1977. In his view, the protest on the part of public sector workers and the middle classes was motivated by concerns about fairness, whereas among the poor, who could not afford basic foodstuffs, it was truly driven by the need for bread.

The sixth chapter discusses economic policy during the Mubarak period, 1981-2011. It focuses on the Economic Reform and Structural

Adjustment Program (ERSAP), far-reaching privatization and the emergence of what is commonly referred to as “crony capitalism.” The author’s assessment of these policies and of Mubarak’s gradualist but resolute approach is generally positive, also in relation to Egypt’s overall economic performance. According to Ikram, on the eve of the revolution in 2011 the state of the Egyptian economy was sound, thanks to a decade of development stemming from the policies conducted. He emphasizes the 4.5% pace of growth in 2004-2010 and the expansive response of the authorities to the crisis of 2008, while stressing the persistence of structural problems such as a low investment rate, only moderate output growth, high domestic consumption and poor competitiveness of the Egyptian economy as a whole, owing largely to obstacles posed by the action of interest groups. These factors, he argues, called for the continuation of the reforms. The author further emphasizes that the principal indices show no aggravation of inequality in the period before 2011, and while acknowledging the correlation between rising prices and political discontent, he does not go deeper into the relationships between political conditions, perceptions of inequality, the effects of the reforms themselves on the economic and social landscape, and the conditions that formed the background to the discontent of 2011. Concentrating on policymaking, Ikram treats the revolution of 2011 as an exogenous, unforeseeable event, just like the IFI documents of the time.

The seventh chapter provides data on the weak performance of the Egyptian economy, marked by faster growth of consumption and population than of GDP. These problems, largely related to the economic policy inactivity of the Morsi government and the political situation, are, according to Ikram, what motivated the reforms of the al-Sisi government from 2014 onwards. In any case, al-Sisi’s economic policy and its effects are not described in great detail, possibly owing to their recency; however, it is impossible not to notice that in a text in which the relationship between public and private companies is central, the growing role of the army in the economy – a most evident factor in the

Egyptian economy in recent years, and one highlighted by the international press – is not even mentioned. The second part of the chapter is dedicated instead to a discussion of Vision 2030, which sets out a series of macroeconomic objectives; Ikram criticizes the lack of any indication as to how these objectives will be pursued and also the failure to consider the likely environmental, social and political effects of such a project.

The final chapter analyses a number of factors relating to the need to create a growth path based on export competitiveness and job creation. Particularly interesting is the comparison between the policies of the Washington Consensus and the growth model pursued by the “Asian tigers.” At this juncture, Ikram criticizes the excessive rigidity of the formulas proposed by the international financial institutions and the scant propensity to tailor reform projects to the specific, peculiar realities of the individual countries, while also asserting the impossibility of Egypt’s pursuing the Asian model. This thesis is justified not only by the authoritarian model that marked the early stages of the development of South Korea (a country to which Egypt is often compared ) but also by the different structure of the state and the functioning of its apparatus. Ikram points out that by virtue of the WTO rules it is impossible to design an economic policy based on the penalization of imports. The author’s position on how a reform strategy should be implemented explicitly echoes Ricardo Hausmann, Dani Rodrik, and Andrés Velasco, who recommend that the first reforms should attack the main obstacles to economic development and should have the most short-term effects. This strategy does not imply that in the long term bureaucracy, the judiciary, taxation and the education system should not be subject to a profound set of reforms. The point, Ikram observes, is that the reforms must take account of the particular reality of the country and the effects that each measure is likely to have, and that the adverse impact in terms of equity has to be counteracted.

Ultimately, the particular perspective of this text and the insights and analyses of an author who has personally participated in the design of

some of the reforms of the Egyptian economy and has had the opportunity for dialogue and discussion with members of the different governments offers a most interesting contribution on the political economy of Egypt and constitutes a sound starting point for the study of the actions and discussions of international financial institutions and other stakeholders involved in structural reform processes.

**Vittorio Caligiuri**

*University of Roma Tre*

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