The World Bank and the Arab Spring

Via Fourth International

The World Bank did not foresee the Arab Spring

Whilst the World Bank and the IMF praised the authoritarian or dictatorial regimes in power for many decades in the Arab regions, the embers of revolt were ready to flare up

The main analyses by the two financial institutions concerning Tunisia and Egypt, the two countries where popular revolt arose between December 2010 and January 2011, commended the Ben Ali and Moubarak leaderships (in power for 24 and 30 years respectively). The two despots, although faithful allies of the Western powers, who were forced to abandon their positions in January 2011, had unfailingly applied the neoliberal policies promoted by the World Bank (WB) and the IMF.

The WB makes no serious analysis of its errors

Ten years later, t here is no official World Bank analysis that would help to understand the roots of the uprisings / revolts. Not only does the WB continue blindly in its errors, it produces half-baked studies trying to justify them.
The WB and the IMF clearly have a problem: If, as they say, their recommendations are going in the right direction and they must be pressed harder, how can the vigorous popular movements that have rocked the Arab World, from Morocco to Yemen and Lebanon, be explained? At the moment of writing these lines the Arab populations have been expressing their discontent for over a decade.

The discrepancies between the WB's previsions and the results achieved cannot be ignored

The discrepancies between the WB’s previsions and the achieved results are such that they cannot be ignored. The WB was forced to make unconvincing public relation declarations to explain that such events had not been foreseen.

Several WB citations, such as the following press release from October 2015 show they are incapable of understanding where the revolt came from:

“Judging by economic data alone, the revolutions of the 2011 Arab Spring should have never happened. The numbers from the decades before had told a glowing story: the region had been making steady progress toward eliminating extreme poverty, boosting shared prosperity, increasing school enrollment, and reducing hunger, child and maternal mortality. Reforms were underway and economic growth was moderate.
And then, in late 2010 and early 2011, millions of people poured onto the streets of major cities in the Middle East and North Africa (MENA), calling for change, and the Arab street began to tell a story that standard quantitative indicators had not foreseen.”[1]

The WB admits to a profound misunderstanding of the realities of the Arab region and bends over backwards to try to explain why the population revolted in spite of the Bank’s wisdom and apparently successful advice to the ruling authoritarian regimes.

False explanations

Just the title of the above mentioned press release is edifying: “Middle-class Frustration Fueled the Arab Spring”. The WB affirms that poverty and inequalities were on a downward trend before 2011; there was progress in “boosting shared prosperity”; “increasing school enrolment, and reducing hunger and child and maternal mortality.” According to the WB the middle classes were discontent at not getting what they considered to be their fair share of the abundance.

Flouting the facts, the World Bank claims that poverty and inequalities had a downward trend before 2011

The WB says that the poorest 40% of the population were much less discontented than the middle classes and had no need to take to the streets. This is clearly contrary to the circumstances that ignited the street protests in Tunisia, where the movement started.
Recall that on 17 December 2010, Mohammed Bouazizi, a young street vendor set fire to himself in desperation of having his wares confiscated by the police. It was the start of demonstrations gathering hundreds of thousands of the popular classes, and especially the poorest. It was not only the middle classes that revolted. The Bank's explanations are not at all convincing as several critics have demonstrated.

On the beginnings of the Arab spring in Tunisia and Egypt

TUNISIA

• 17 December 2010: Mohammed Bouazizi, a young street vendor in Sidi Bouzid set fire to himself in desperation of having his wares confiscated by the police. It was the start of a wave of protests.

• 11 January 2011: confrontations in Tunis.

• 14 January: President Ben Ali, in power since 1987, flees to Saudi Arabia.

EGYPT

• 25 January 2011: First demonstration on the Place Tahrir in Cairo. This marks the beginning of several weeks of uprising to bring down the regime.

• 11 February: President Hosni Moubarak, in power since 1981, resigns.

Criticisms of the World Bank's diagnostic of the Arab spring events

Gilbert Achcar, author of several indispensable books on the Arab region (North Africa and Middle East) as well as the Arab Spring, demonstrated in a well-documented study published in 2020 that World Bank affirmations are unfounded.[2] Achcar shows that it is untrue to say that the levels of inequality were less important in the Arab region than in most of the other developing regions of the World. Achcar's studies show that income inequalities increased in North Africa and the Middle-East between 1980 and 2011. The incomes of the popular classes decreased whilst the incomes and net values of the richest increased.

Income inequalities increased in North Africa and the Middle-East between 1980 and 2011

The World Bank's methods of collecting income and household spending data are quite unsure as they are compiled from a very limited number of samples. The conclusions that are drawn are clearly in contradiction with the observed effects of their policies. The CADTM will devote a future article to the flaws in World Bank figures.

In collecting income and household spending data the World Bank uses a very limited number of samples

In works published between 2014 and 2018 that cover the period from 1990 to 2016, Piketty, Facundo Alvaredo and Lydia Assouad dispute the claims by the World bank that the Middle-East is less unequal than other parts of the World. According to Piketty and his two colleagues:

"…the Middle East appears to be the most unequal region in the world, with a top decile income share as large as 64 percent, compared to 37 percent in Western Europe, 47 percent in the US and 55 percent in Brazil".[3]

Further on (p. 17), the authors state “the top percentile income share is about 30 percent in the Middle East, vs. 12 percent in Western Europe, 20 percent in the US, 28 percent in Brazil, 18 percent in South Africa, 14 percent in China and 21 percent in India.”

The study made by Gilbert Achcar along with that of Piketty, Facundo Alvaredo and Lydia Assouad firmly contradicts World Bank declarations clearly made in haste to disqualify intense criticism.

The authors of the criticized World Bank studies, Vladimir Hlasny and Paolo Verme, rather than defend their study on a scientific basis, preferred to accuse Achcar and Piketty et al of creating a political issue of it rather than debating a technical one. They say “Gilbert Achcar’s critical review concludes that the research of the protagonists of the ‘Arab Inequality Puzzle’ debate exhibits a systematic neoliberal bias and a wilful blindness to the fact that ‘their recipes were responsible…for the formidable socio-political explosion of the Arab Spring and the protracted destabilization of the region’ (p. 768). We argue that Achcar’s conclusion is erroneous and based on a misleading interpretation of evidence, selective review of existing studies, false grouping of scholars and an inadequate understanding of the measurement of income inequality. The review appears to be an attempt to politicize what has otherwise been a healthy technical debate on income inequality in Egypt”.[4] To be precise Achcar’s criticisms are directed at the WB’s incorrect analysis of the Arab region and Egypt in particular. He denounces the fact that the analyses are made on the basis of data furnished by official sources monitored by authoritarian regimes.

World Bank analyses are made on the basis of data furnished by official sources monitored by authoritarian regimes

Gilbert Achcar replied to the WB authors as follows: “It is astonishing indeed that anyone could uphold the claim that the discussion about a topic such as the validity of official data under authoritarian regimes and the causality of major popular uprisings against these same regimes is purely 'technical', and one which econometricians alone should engage in, to the exclusion of political economists and all other social scientists – not to mention social and political activists who often know more about their countries than foreign 'experts.'5

The World Bank's contortions around income inequality and the Kuznets curve

It should be noted that the Bank does not consider a rising level of inequality as negative. Indeed, it adopts the theory developed in the 1950s by the economist Simon Kuznets according to which a country whose economy takes off and progresses must necessarily go through a phase of increasing inequality.6 According to this dogma, inequality will start to fall as soon as the country has reached a higher threshold of development. It is a version of pie in the sky used by the ruling classes to to opiate the oppressed on whom they impose a life of suffering.

The World Bank does not consider a rising level of inequality to be negative

The need for rising inequalities is well rooted into the WB. Eugene Black, WB President in April 1961 said: "Income inequalities are the natural result of the economic growth which is the peoples escape route from an existence of poverty."7 However, empirical studies by the WB in the 1970s at the time of Hollis Chenery contradict Kuznets.

Income inequalities are the natural result of economic growth

The WB began to study, the issue of inequality of income distribution in developing countries as an element influencing development possibilities only as from 1973. The economics team led by Hollis Chenery devoted a great deal of energy to this issue. The WB's major book on the subject *Redistribution* *with Growth* was coordinated by Chenery himself.8 It was published in 1974. Chenery was aware that the type of growth induced by the Bank's lending policy generates inequality. The WB's concern was expressed repeatedly in no uncertain terms by McNamara: "if inequality is not reduced, if poverty is not reduced, there will be repeated social explosions and these will be detrimental to the interests of the free world, whose leadership is provided by the United States."

However, after Chenery's departure in 1982 and his replacement by Anne Krueger, a neo-liberal conservative economist, the WB completely abandoned concern about rising or maintained inequality to the point that it stopped publishing data on this subject in the World Development Report. Anne Krueger does not hesitate to take up again the Kuznets curve, making rising inequality a condition for the start of growth on the doubtful basis that the means of the rich fuel investment.

In *Capital in the 21st Century*,9 Thomas Piketty presents a very interesting analysis of the Kuznets curve. Piketty mentions that at first Kuznets himself doubted the real interest of the curve. That did not stop him from developing an economic theory that keeps bouncing back and, like all economists that serve orthodoxy well, receiving the Nobel Memorial Prize in Economic Sciences (1971). Since then inequalities have reached levels never before seen in the history of humanity. This is the result of the dynamism of global capitalism and the support it receives from International Institutions who are charged with "development" and governments that favour the interests of the 1% over those of the enormous mass of the population, as much in the developed countries as in the others.

When we analyse the World Bank's position on the Arab Spring we see that they hold strongly to the dogma that inequalities are good for development

We may say here that the WB's considerations on the Arab

Spring are caught in equivocations: it maintains that the levels of inequality are less important in the Arab region and that is a worrying symptom that things are not as they should be in the supposed economic success of the region. As faithful disciples of the Kuznets theories, Vladimir Hlasny and Paolo Verme declare "low inequality was not an indicator of a healthy economy."10

Gilbert Achcar sums up the position adopted by Paolo Verme as follows: "in the view of the 2014 World Bank study, it is inequality aversion, not inequality per se, that should be deplored, since inequality must inevitably rise with development from a Kuznetsian perspective. Had GDP growth been accompanied by a trickle-down effect, the Egyptians would have had a more positive view of inequality, as 'people can hardly appreciate inequality if their own status and the status of their peers do not improve' (Verme et al., 2014: 9711). Following the same logic, in order to conform to the Kuznets curve, it is more inequality rather than less that Egypt needs(…)".12

According to the World Bank, aversion to inequality, not inequality per se, is to be deplored, since inequality must inevitably increase with development

It should be added that the WB pretends against all evidence that the poorest were not one of the main social sectors to participate in the action against the authoritarian regimes in place and their anti-social policies. It is important for the Bank to say this because it is supposed to bring assistance to the poor. Given that in the fantasy world as imagined by the World Bank the level of poverty was low, it is not possible that it was the poorest who rose up in Tunisia and Egypt in January 2011. According to World Bank experts, it was the middle classes who mobilized to protest against the insufficient progress in their living conditions. According to the Bank, this insufficient progress was due to the State, which was still interfering too much in the economy and mismanaging public affairs.

The World Bank and the IMF give their total support to authoritarian regimes

What is more, the WB and IMF need scapegoats, they do not hesitate to denounce and criticize as authoritarian and corrupt, despots that they have upheld up to the last moment.

The WB has not changed its outlook on the Arab region

Ten years after the Arab Spring, the WB and IMF are still compelling the countries concerned to apply the policies in place before the events and that were their root cause. For them, large sectors of the economy are in need of privatization, free market access, more favourable regulations to attract foreign investment and the government merely regulating the free play of market forces.

For the Bank and the IMF, a large proportion of public enterprises should be privatized and the government should simply regulate the free play of market forces

Public-private partnerships are also to be encouraged, even though it is well known that such structures are more favourable to investment interests than to the public interest. The bank says, "What MENA governments need to do is open markets to competition, introduce public-private partnerships, and revitalize segments of their economies that have been inefficient or dormant altogether."13

In the same document the Bank affirms "Governments, playing their rightful role, need to make an immense effort to equip their youth to grow and compete in an ever more globalized world." In other words; youth must be prepared to compete against each other in offering their work capacity to private employers. According to the WB public creation of well-paid high quality socially useful jobs is to be avoided at all costs, Business is quite capable of doing that and would be able to satisfy "suitable" employees.

The World Bank wants the young to be more competitive and considers women from the perspective of their “performance”

Again, in this document we read that women are better ”performers” (sic) so authorities should adopt policies that draw more women into employment.14

Next, the Bank suggests that social measures are too costly: “MENA governments must also rethink their approach to social protection, which has been sought through policies that rely on costly, misguided subsidies. For too long, States have chosen the politically easy and economically disastrous path to a flawed social contract, whereby basic goods and services are made available at “protected” prices to buy political allegiances and ‘social peace’.” It thus pushes for reductions in socially useful subventions.

The Bank concludes its neoliberal dogma with: “To avoid another lost decade, a loud wakeup call needs to resonate all across MENA – from the “Ocean to the Gulf”. The immediate task is to open the door to private enterprise, win over the resistance to liberalizing economies, and empower youth with opportunities to match their limitless potential.” Amen!

It must be underlined that the WB generally continues to support authoritarian regimes in the region. In particular, it supports Egypt’s criminal Abdel Fattah al-Sissi regime in place since 2014 and considers the authoritarian monarchy in Morocco as an example to be followed.

In criticizing the World Bank, the IMF and the governments of the region, the CADTM affirms that to avoid another decade of lost hopes and disillusionment, awareness is needed across the whole region, from the Atlantic to the Gulf. The peoples of the region must continue the action they have undertaken since 2011 by self-organizing and creating governments that make a radical break with both the capitalist system and its neoliberal version and carry out profound social reforms in favour of justice and emancipation from all forms of oppression, whether patriarchal, religious or otherwise.

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