Introduction

On May 19, 2017, an incident occurred for the first time in the political history of the Middle East and North Africa: A corrupt businessman confessed on live television the exact manner in which he had taken advantage of state institutions to reap massive profits. Imed Trabelsi, the businessman in question, was a nephew of Tunisia's former dictator Zine Abedine Ben Ali, who had been ousted in 2011 after nation-wide protests. Following his departure, the country organized its first democratic elections since independence, inaugurating the first democratic transition in the region since the 1990s. Tunisian officials quickly prosecuted Trabelsi for corruption following Ben Ali's departure, and by the time he testified he had spent nearly six years in prison.

His motivation to testify arose out of a truth and reconciliation process initiated by the country's transitional justice committee (another first for the region). While the committee made no promises that his sentence would be commuted if he testified, Trabelsi leaped at the chance, likely in an effort to shift his image to a penitent worthy of forgiveness. His rambling two-hour testimony on a live broadcast[1] provided Tunisians an open window into how crony capitalists in their country exploited political connections for personal gain.

Imed Trabelsi's scheme, which apparently netted him millions of dollars that were promptly stashed in Swiss bank accounts, involved maintaining a de facto monopoly on the importation of certain consumables that were in high demand: bananas and alcohol. He described giving regular bribes over a period of years to specific customs officials who were responsible for approving the importation of bananas and alcohol, sometimes amounting to as much as ten thousand dollars for a single bribe. As a result, customs officials refused to let anyone have access to containers containing those goods unless Trabelsi agreed to their importation. In theory, Tunisia's trade policies governed the

[1] For the full video, see www.youtube.com/watch?v=8zvUK3HWHNc&t=68s

importation of these goods, but in practice there was only one person who would decide if Tunisians were going to eat bananas.

Trabelsi's prosecution, while a landmark event, unfortunately represented the high-water mark of Tunisia's efforts to hold politically connected businesspeople accountable. Other efforts to examine a broader range of deals under the prior dictatorship sputtered and finally died. Only a few months after Trabeli's confession, Tunisia's parliament passed a bill, euphemistically named the "economic reconciliation law," restricting the transitional justice committee's ability to bring to light further corrupt agreements. The vast majority of businesspeople with connections to the former regime remained largely untouched, fueling public protests in recent years as Tunisia's rural poor and unemployed youth saw little change stemming from their revolution. These protests culminated in suspension of the parliament by President Kais Saied in July 2021, ushering in a renewed era of authoritarianism reminiscent of the Ben Ali regime.

Egypt likewise experienced a popular movement for democracy in 2011 that emphasized an end to corruption and successfully forced out Hosni Mubarak, the ruling dictator, via the rallying cry, "the people want the downfall of the regime" and "bread, freedom, social justice." Yet the Egyptian public had its own riveting revelations in the fall of 2019 when Mohamed Ali, an Egyptian businessman who fled to Spain for asylum, posted detailed accounts on YouTube describing his corrupt dealings with President Abdel Fattah al-Sisi, including work building a lavish palace for the president along the Mediterranean.[2] While Egypt also saw high-profile corruption trials like the steel magnate Ahmed Ezz's conviction in 2012,[3] on the whole Egypt's system of corruption and crony capitalism remained intact following its democratic transition and subsequent takeover by the military in a 2013 coup. While Tunisians until recently enjoyed more democratic freedoms than their Egyptian counterparts, it has not become any easier for Egyptians to navigate the crony web of relationships governing many aspects of obtaining employment and starting businesses.

Prior to 2011, both of these countries for decades had been single-party dictatorships, and both countries scored abysmally in most indices of economic reform, quality of institutions and corruption. For example, in Transparency International's widely cited corruption scores from 2010, right before the revolution, on a scale of 10, where 1 meaning most corrupt and 10 meaning least corrupt, Egypt scored a 3.1 while Tunisia received a 4.3.[4] Both states struggled then and continue to struggle today with dense relationships between business and state officials that lead to improper enrichment on both sides.

This failure of democracy to remove corrupt businesspeople raises the question of how corrupt businesspeople can survive regime changes that should

[2] For more information, see www.youtube.com/watch?v=qPETFKD-Mlo.
[3] See www.bbc.com/news/world-middle-east-19830922.
[4] www.transparency.org/cpi2010/results

threaten their livelihoods. The aim of this book is to explain how businesspeople reacted to the fall of these regimes and managed through political action to secure their interests in the turmoil that followed. Through analysis of survey data, in-depth case studies of both Egyptian and Tunisian politics, as well as on the ground interviews with businesspeople, I describe the calculus facing business following popular mobilization for regime change.

In short, the extent to which the new political leaders are able to control state privileges that businesses want determines the methods businesses use to engage politically. When new leaders are relatively strong, business political action becomes more partisan in support of the new regime; when leaders are weak, businesses will strategically cultivate allies across the political spectrum to maximize their corporate interests. These different business strategies can have a significant impact on these new regimes, either undermining them, as in the case of Tunisia, or strengthening them, as in Egypt.

The best way to understand this theory is to see it in operation in the political contexts of post-revolution Egypt and Tunisia. In the initial period following democratic transitions, businesspeople in both countries became involved in pro-authoritarian political parties, known as the Nidaa Tounes (Call of Tunis) party in Tunisia and the Tamarod (Rebellion) movement in Egypt. In the intervening years, these two antidemocratic coalitions diverged sharply. Tunisia's business leaders pursued their own interests in Tunisia's democratic regime, resulting in hidden backroom corruption, while Egypt's businesses were forced into a very public marriage with the military despite its negative consequences for their livelihoods.

These different business strategies became evident over time in the divergent political environments in the two countries. By 2017, at the time of Trabelsi's prosecution mentioned above, Tunisia's pro-authoritarian movement had captured a plurality in parliament but seemingly little else. Business elites feuded publicly over the allegiance of members of parliament they had financed, and the Nidaa Tounes party appeared little able to implement its plans for democratic retrenchment. The president, the ostensible leader of the party who harbored clear inclinations of becoming a strongman, remained relegated to a referee with scant ability to punish breakaway factions. By the end of 2017, Nidaa Tounes had lost its parliamentary majority and had to rule with its erstwhile enemy, the Islamist party al-Nahda.

In Egypt, by contrast, the Tamarod movement helped to overthrow Egypt's elected government and ultimately became multiple parties that subsequently won seats in Egypt's parliament under military rule. Following the military's coup in 2013 (Ketchley 2017), Egyptian businesspeople remained loyal and stable partners of a new authoritarianism, refusing to break away even as President al-Sisi, a former military general, embarked on a series of catastrophic economic decisions, spending billions of dollars on wasteful infrastructure projects and delaying Egypt's economic recovery following the Great Recession.

For these reasons, while the overall level of business corruption remained unchanged in Egypt and Tunisia, there are important political differences stemming from the distinct ways that businesspeople adjusted to the transitions in both countries. In Tunisia, businesspeople were willing to make deals with all sides of the political spectrum, including democratic reformers, Islamist revolutionaries, and former members of the dictator's party, their natural allies. The horse-trading nature of Tunisia's democracy resulted in a chaotic parliament that accomplished little, though the interests of individual businesspeople were respected, and when threatened, legislation inevitably stalled. I call this type of backdoor lobbying and influencing *broad rent-seeking* because businesses were willing to work with anyone across the political spectrum, whoever might be willing to cut them a deal to regain their influence.

By contrast, Egyptian businesspeople were forced into engagement with the Egyptian military, or what I call *narrow rent-seeking*. The Egyptian military's influence over the economic and many government agencies, which increased exponentially following its coup in 2013, forced previously autonomous businesspeople to come to grips with a political actor who could punish them if they deviated from its goals. The Egyptian military has become the de facto and de jure ruler of both Egypt's formal and informal institutions, doling out government contracts and other goodies to those it values and driving others out of business.

This book examines how businesses practice these two types of political engagement to protect their interests. The research I will present on this question comes from months of on-the-ground interviews with politicians, business leaders, anti-corruption activists, and journalists in Egypt and Tunisia. I combine this field research with four surveys of businesspeople and military personnel in Egypt and Tunisia, which provide some of the first in-depth and quantitative information about how and to what extent businesspeople were involved in politics in both countries. To help substantiate the theory's explanatory power outside these two countries, I also examine four additional surveys of business political activities in Jordan, Morocco, Algeria, Ukraine, and Venezuela. With this data and fine-grained contextual information, I am able to examine precisely how businesspeople are affected by regime changes and also how they manage to gain influence following setbacks.

By comparing both Egypt and Tunisia in this book, I am able to make it clear that democracy itself is not a threat to crony capitalists and others who might fear more transparent and accountable government. While Tunisian governing institutions did go through a systemic shock, and this shock disrupted long-standing relationships between powerful companies and bureaucrats, it did not last. Businesspeople were able to weather the storm by re-establishing relationships with parties and in some cases running as candidates or starting their own parties. The opening of Tunisia's political system perversely created more possible allies for businesspeople willing to give campaign funds and other supports.

On the other hand, Egyptian businesspeople did play a role in the stability of President al-Sisi's regime, but that support was not necessary for them to restore their lost privileges and benefits. Rather, it was the military's long-standing influence and rapid expansion in post-coup control that left businesspeople with little choice in whom they could support. Counterintuitively, many businesspeople lost more under the military dictatorship than they likely would have if Egypt had remained a democracy, and are now left with little choice but to play handmaiden to President al-Sisi's authoritarian experiment.

MILITARIES, BUSINESS, AND DEMOCRACY

Identifying businesspeople as a possible antidemocratic rather than prodemocratic force departs from conventional wisdom in political science. A rising commercial class (the bourgeoisie) is often credited with pushing for representative government in early modern Europe, and the thesis that capitalism and democracy are intimately connected has persisted in the scholarly and popular literatures (Lipset 1959; Moore 1966; Almond 1991; Rueschemeyer, Stephens, and Stephens 1992). However, in many states where bureaucrats are compromised by personal relationships to particular firms, the idea of business as a force for political change is unrealistic. In order for business to push back against the state and guard against unjust expropriation, it must first become a group that is separate from the state. In many developing countries, those lines are blurred by the daily acts of exchange taking place between ostensibly private firms and ostensibly public officials (Haber, Razo, and Maurer 2003; Arriola 2012; Cammett et al. 2015; Markus 2015; Frye 2017; Albertus and Menaldo 2018; Malik, Atiyas, and Diwan 2020).

For this reason, this book emphasizes the political engagement of the business community as the outcome to be explained rather an outcome that is assumed. While we can assume that many crony capitalists stand to lose under a regime transition, political preferences alone do not explain business actions. Businesses must be involved in party-building and mobilization in order to have real influence in politics. It is even possible that, under some conditions, business can become a tool to bring down a new democratic regime. However, in order for crony capitalists to make the leap from a latent political force to a potent one, a powerful institutional actor must be able to impose some kind of order on the business community and help mobilize them around a consequential political goal like regime change. In crony capitalist systems, this order is only likely to arise if the institutional actor can subsume control over access to state provision of public and private goods for businesses like property rights enforcement, licenses to operate, and contracts.

The main institutional actor that I study in this book, and that I argue explains much of the divergence in business political engagement between Egypt and Tunisia, is the Egyptian military and in particular its economic network. The Egyptian military maintains a vast network of government-owned and quasi-private companies that exist across virtually all sectors of the Egyptian economy. While at one point this economic infrastructure served the military's purpose of providing for the country's defense, today it hews more closely to a basic profit-maximizing logic. Military-owned or affiliated companies in Egypt produce baby formula, administer private schools, build public housing, manage toll roads, and manufacture pharmaceuticals, and have increased their control over government contracting substantially since the 2013 coup (Marshall and Stacher 2012; Morsy 2014; Abul-Magd 2017; Sayigh 2019).

I term this network of military-affiliated businesses *the military-clientelist complex*. Because these firms and their primary suppliers and producers are all connected to the military, they also have a political allegiance they must uphold. For these reasons, the military pushed the business community in Egypt to rally around the goal of opposing democracy. In Tunisia, by contrast, no such institution existed that could command a wide range of support from businesspeople and penalize those who opposed. While antidemocratic sentiment morphed into a powerful wide-ranging movement in Egypt, in Tunisia the antidemocratic backlash resulted in a short-lived party that had brief electoral success but has been largely consumed with internal squabbles. In the one case, increasing control over networks of privilege by the military led to pressure on businesspeople to join their coalition, while in the second, businesspeople were able to play all sides in seeking to protect their companies' interests.

This apparent failure of the Tunisian business community to mobilize around a widely shared interest is puzzling in light of the similarities between the Tunisian and Egyptian business communities. It is not as though Tunisia was spared antidemocratic backlash from elites, but rather that these elites proved incapable of remaining united around a common platform. Collective action of a sort did occur in Tunisia, in no small part because the largest business clan threw its weight behind the emergence of a pro-authoritarian party. Yet without wider support from the business community and other elite actors, the movement never passed beyond its initial electoral success into a capable organized movement. Instead, business elites were content to advocate for their own particular firm interests and funded parties across the ideological spectrum, ironically helping to stabilize party competition.

The comparatively widespread support for the military regime among the Egyptian business community is even more remarkable considering the military's abysmal economic management and more recent brutal austerity policies. It would appear more natural to assume that a regime that had received significant business support in its early stages would also become a boon for business elites, but the military has pursued policies that have largely enriched its own cronyist network while throwing macroeconomic prudence to the wind (Sayigh 2019). More recently, the military has abruptly switched tracks and has successfully implemented economic reforms that have brought considerable pain to established businesses, especially a dramatic increase in the value-added tax charged on business profits.[5] This direct taxation combined with continued high unemployment and low investment would appear to be a perfect cocktail for business defection, but that has not happened even five years after the military's coup. The bandwagoning equilibrium, supported by the military's domination of the state bureaucracy, makes it difficult for any one business, even a powerful one, to take the risky position of supporting any kind of opposition.

In summary, the outcome that this book explains is that of business political engagement. I provide a theory in this book that explains the reasons that businesspeople are forced into politics following regime transitions, and the ways that they decide what kind of political action to undertake. The main independent variable in this book is the institutional actor that can prompt differences in business participation. In this study, I focus on the military-clientelist complex as comprising the motive force for business participation, but it is possible that in other contexts another actor could play this role, such as state-owned banks that have control over capital allocation. Identifying further actors is an important area for additional research on post-transition business political action.

To test the theory, I employ case study-based process tracing and extensive online survey research of Egyptian and Tunisian businesspeople during the period from 2013 to 2018. This critical period, during which the nascent democracies either survived their initial challenges or collapsed, provides a compelling window into the political troubles and machinations of businesspeople. By providing both historical accounts of the political transitions with quantitative research into business preferences and actions, I can substantiate the theory at different points in time and using a variety of methods and sources.

In Chapter 1 of this book, I discuss my theory of business political orientation more in-depth, especially how it relates to the unique issues facing developing countries transitioning to democracy. In Chapters 2 and 3, I discuss the rise and subsequent impact of Egypt and Tunisia's pro-authoritarian parties and the prominent role played by businesspeople in each party. In Chapter 4, I discuss survey research conducted in Egypt and Tunisia that offers experimental evidence of the theory in operation and also expands the focus to other countries with issues of crony capitalism. In Chapter 5, I continue my examination of quantitative survey data with an exploration of how crony capitalism and the military-clientelistic complex compares across the region and even outside of it.

[5] See https://timep.org/reports-briefings/timep-brief-vat-law/.

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How Firms Respond to Regime Change

In this chapter, I put forward an informal model explaining how businesspeople engage in politics during episodes of political transition. In brief, the theory argues that, absent some kind of external intervention, most businesses tend toward a type of political engagement called *broad* rent-seeking in which they seek to recruit allies from across the political spectrum. As a result, following political transition, businesses continue with this modus operandi, except that they must succeed in obtaining new allies in a changing political establishment, contributing to political corruption as they seek to influence reformers. On the other hand, a rare yet politically consequential outcome can occur after political transition if an institutional actor is able to quickly replace the prior dictator and monopolize the distribution of perks and privileges. This actor can subsequently obtain considerable support from the business community due to a phenomenon I describe as *narrow* rent-seeking: to please the gatekeeper, business must focus their energies on this one actor at the expense of others.

I focus in this theory on the *type* of business political engagement following regime transitions as it is not necessarily true that the *level* of engagement will vary. Following a regime transition, in countries where legal rights are not taken for granted, businesses must pursue strategies to ingratiate themselves with incoming elites. An institutional actor may be able to coerce or manipulate a greater number of companies into political action, but it is more likely to have an effect on how companies pursue politics rather than whether they do so (or as economists like to put it, the intensive rather than extensive margin). Regardless of the structure and aftermath of transitions, businesses in previously corrupt regimes need to respond to new political institutions and power holders. Failure to do so could expose them to the reformers' zeal against the corruption of the ancien régime or lead to a loss of privileges in favor of rivals jockeying for a limited supply of state privileges.

Though most of the research in this book comes out of the Middle East and North Africa, I believe this theory is more broadly applicable to countries with endemic problems of corruption and crony capitalism. Most of our studies are either about corruption in normal periods of regimes or about the immediate aftermath of regime transition when prior crony relationships are exposed (Fisman 2001; Hinnebusch 2006; Heydemann 2007; Acemoğlu and Robinson 2008; Svolik 2012; Earle and Gehlbach 2015; Acemoğlu, Hassan, and Tahoun 2017; Szakonyi 2018). This theory addresses the role of business after the initial euphoria of regime transitions has ended and the strategies available as they seek to find a place in the new system, whether that system turns democratic or authoritarian (Loxton 2015; Grzymala-Busse 2020).

Further, this chapter makes it clear what is the main outcome of interest: how and when businesses engage in political action following regime collapses. Some of the data presented in the following chapters will examine implications of this argument, such as how the involvement of crony capitalists affects democratic transitions and authoritarian durability. While these are very important implications to discuss, they follow from the main argument rather than constitute the main aim. I believe that by understanding how elite actors behave, we can better understand very large outcomes like democratization and regime survival; though to do this well, it is important to separate these processes.

To illustrate this argument, I produced causal graphs showing the relevant variables and the outcome of business political engagement. By causal graph, I mean a network plot in which each node of the network is a variable in the theory, and the causal process moves sequentially from left to right to produce the outcome. I use the word causality here to refer to my expectation that if some of the values of these variables changed, then the outcome itself would change, even though we may not be able to observe these counterfactuals.

The outcome I want to explain, business political engagement, can take on two levels: *broad* and *narrow* rent-seeking. Given these two possible outcomes, there are two separate causal graphs due to some asymmetry in the causal argument. Figure 1.1 shows the causal graph that produces the outcome of narrow rent-seeking. Figure 1.2 has the causal graph that produces the outcome of broad rent-seeking. In the next few sections, I discuss the parts of these causal graphs in turn, starting with the outcome (terminal node) of the graph, and moving back to the independent variables.

I use the term causal graph to imply that this combination of variables with this combination of values for those variables will likely or probably result in the outcome (Pearl 2000). In other words, as is often the case in the social sciences, we do not assume deterministic relations between variables, but rather that relationships exist because the outcome becomes more likely when certain conditions hold. Including some uncertainty is important due to the complexity of predicting or explaining human nature and human social relations.

What both Figures 1.1 and 1.2 share in common is the bottom line of the causal process. Both causal sequences begin with the initial political shock of a regime change, which prompts the loss of a dictator, that is, the principal,

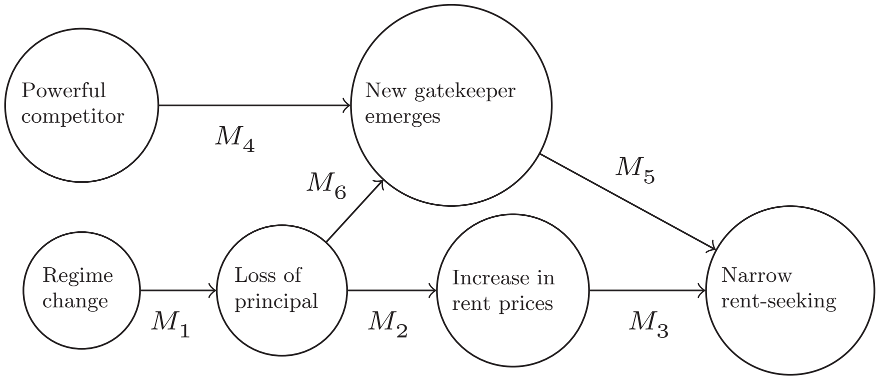

FIGURE 1.1 Causal diagram for presence of capturing institution

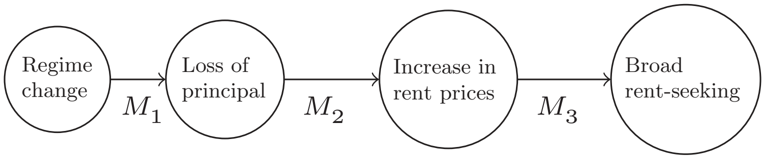

FIGURE 1.2 Causal diagram for absence of capturing institution

who has some level of control over bureaucracies and the distribution of rents and other state-sanctioned privileges. This loss of control leads to an increase in rent prices for businesses, such as to maintain monopoly privileges over lucrative domestic markets. The increase in rent payments prompts businesspeople to engage in business political engagement to protect their company from competitors and rogue bureaucrats.

In terms of differences in the arguments, Figure 1.1 has an additional branch in which a new gatekeeper emerges following the postregime chaos. A powerful competitor, or a political actor with substantial strength, becomes a gatekeeper by replacing whoever functioned as the principal of the state. It is this gatekeeper that proves to be decisive in whether or not businesses engage in narrow instead of broad rent-seeking. If a gatekeeper exists, the business must engage in narrow rent-seeking to protect their perks and privileges. If not, as shown in Figure 1.2, the business will engage in broad rent-seeking and seek to curry favor from a wide swath of the incoming political elite. For this reason, it is important to note that the primary difference between the two processes is the existence or not of a powerful competitor at the point that the regime change occurs.

The labels on the arrows between nodes in the graph (M_1 through M_5) represent causal mechanisms. These are processes through which the variables influence each other. Compared to the variables, mechanisms operate at a very low level, representing people's judgment of costs and benefits that ultimately push them to take action (Elster 1994; Waldner 2007; Mahoney 2012). In the