

## I Introduction

During the 1970s and early 1980s, Egypt experienced rapid economic growth—the result of a regional oil boom. Oddly, this economic growth hardly registered in Egyptian public discourse, which constantly claimed that the country was experiencing economic and socio-cultural crises. This book sets out to investigate this discrepancy. It studies the unprecedented socio-economic mobility, the significant changes in the employment structure and the spread of mass consumption by means of analyses of the statistical data and the ethnographic evidence. I argue that, during the oil boom, Egypt experienced a dramatic expansion of the middle class—now increasingly representing “average” Egyptians.

In addition to analyses of the empirical evidence, this book analyzes relevant, contemporary Egyptian public discourse by examining a wide cultural array that includes academic writing, the press, cinema and literature. For the most part, the public discourse viewed this vast transformation from a negative perspective, commentators criticizing “what went wrong” in Egypt. Such public discourse was by no means monolithic and reflected disagreements between the economic and political left, right and center, and between secularists and Islamists. However, Egyptian public discourse at that time did expose a broad coalition of discontent regarding the burgeoning changes in state/middle-class relations under the long-term social contract. The public discourse further exposed many social tensions that developed as a result of widespread socio-economic mobility. My investigation focuses not only on the rapid formation of a broad middle class in Egypt, but also on the consensual Egyptian public discourse lamenting its ephemerality.

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The Egyptian middle class under discussion here developed during the rapid expansion of state-sponsored higher education, accompanied by a huge increase in the employment of graduates in state bureaucracy. Prior to 1973, Egypt was a small oil exporter, but state earnings increased with the huge rise in energy prices in the aftermath of the October 1973 War and especially with the return of the Sinai oil wells to Egypt after 1979. Furthermore, the state enjoyed hikes in oil-related earnings, such as from the Suez Canal, state-owned tourism and state-to-state transfers. For these reasons, the state could increase its expenditures on social services, employment and various other subsidies while the oil boom lasted, directly strengthening the middle class. The migration of millions to work in the oil-exporting states of the Gulf and Libya and the remittances sent home from abroad brought further socio-economic mobility, as did the rapid expansion of “informal economy” (i.e., economic activity not accounted for by official statistics, or regulated and taxed by the state) in Egypt that thrived on those remittances.<sup>1</sup> Economic liberalization “from below,” through migration and participation in the informal economy, facilitated middle-class expansion. However, this too depended on energy prices. Concurrent with new employment opportunities, this period saw the rapid growth of mass consumption and an unprecedented consumer middle class.

The relative ease of political censorship between 1976 and 1980, along with the coming to power of President Mubarak (1981) and his seeming quest to revise the “Open Door Policy,” allowed for the proliferation of Egyptian public discourse and for the fairly open critique of current affairs. (Throughout the discussion, “Open Door Policy” refers to an official state policy of partial economic liberalization, while “Open Door” refers to the period in which this policy was implemented.) The spread of large and small media, for example, television and cassette players, respectively, served to further propagate public discourse and, especially, the Islamic

<sup>1</sup> Nazli Choucri, “The Hidden Economy: A New View of Remittances in the Arab World,” *World Development* 14:6 (1986), 697–712.

voices within this discourse. All this facilitated public commentary on the rapid transformation taking place. Note that I do not assume that public discourse covers all the voices of an entire society, despite commentators' frequent intimations of such being true when discussing contemporary events. Nonetheless, the public discourse provided a site through which the more established segments of the Egyptian middle class could offer their perspectives on the unfolding events, while the voices of other segments of Egyptian society that benefitted from this transformation were rarely represented. For instance, the subject of beneficial socio-economic mobility was notably absent.

Many discontented Egyptians expressed different qualms regarding the development of a broad middle class in Egypt. Critics complained about the deteriorating quality of education and decreased state wages under oil-induced price inflation. Public discourse reacted unfavorably to labor migration and an argument was made that those same remittances that were fueling consumption, especially of imported goods, should rather have been bolstering investments in Egypt. Many considered the informal economy to be "parasitic" or leading away from real economic development, as might be attained by means of industrialization. Some commentators associated the spread of mass consumption with waste, warning against it as a cultural and economic threat to Egypt's independence. Many also feared the social mobility of newcomers into the middle class. A decade or so of this regional oil boom brought vast social transformation to Egyptian society, but this process also caused a degree of social anxiety.

I have compared the Egyptian middle-class crisis, as discussed in its public discourse, with qualitative and quantitative evidence of the economic growth and social change in Egypt. My intention is not to simply point out the gaps between the "discourse" and the "reality," but rather to use such gaps as points of entry, from which to examine the two central contradictions in the socio-economic and cultural transitions that took place during this period.

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First, I discuss the consensus in Egyptian public discourse regarding the erosion of the social contract between the middle class and the state—a *de facto*, implicit agreement between them existing from the time when state expenditures for social welfare and development had increased (see Chapters 2 and 3). Critics denounced President Sadat’s Open Door Policy, which seemingly retracted social spending during the transition from President Nasser’s Arab Socialism to this newly introduced liberal economic platform. Throughout this book, I demonstrate the continuity between Nasser and Sadat in maintaining that social contract. I explain why and how state services, state employment and the state distribution of goods and subsidies underwrote an expanding middle class at that historic moment, when that social stratum was growing quickly. Meanwhile, the deteriorating quality of social services and the compensations for state employees became central to public protest, as did concerns over the state provisioning of basic commodities.

Second, I sketch the growing alarm of the Egyptian commentators at the rapid social change in Egypt (see Chapters 4 and 5). With swift socio-economic mobility, public discourse in Egypt became preoccupied with the question: “Who are the ‘real’ middle class?” Various public commentaries on the Egyptian person, the Egyptian family and Egyptian society provide relevant insights into such concerns. Notably in the public discourse, the respectable, former middle class was described as having been ousted from its status by other social groups from above, from below and even from the middle (e.g., by newcomers to middle-class status).

Throughout this book, I discuss why and how the Islamic resurgence—the spread of religious ideals and practices—was a middle-class response to these concerns. The public’s demand that the Egyptian government uphold the social contract was a key factor in the emerging Islamic social movement and was also at the core of much similar secular, often leftist and religious disgruntlement. However, the Islamic resurgence in Egypt was far from simple opposition to contemporary transformation. In Chapter 6, I argue that

middle-class Islam facilitated adjustments to contemporary transitions. Indeed, Islamic resurgence was an integral part of the socio-economic change, as well as an expression of discontent with it. For example, an enhanced religious consumer culture developed in conjuncture with the spread of mass consumption. This new religious consumer culture and its practices enabled the making of new socio-cultural distinctions in an age of rapid social mobility. Significantly, the Islamic resurgence in Egypt often encouraged a liberal economy (pro-free market) “from below,” manifested by a growing Islamic business sector and Islamic non-governmental organizations (NGOs). Islamic resurgence, therefore, manifested intricate dialectics within the rising middle class in regard to the contemporary transformation, rather than being a simple reaction to it.

After the mid-1980s, rapid, oil-related, economic growth ended, leaving the state and many in the middle class under growing economic pressure. Fast population growth and a large percentage of young Egyptians further exacerbated the economic predicament in Egypt. The main legacy of the oil boom, from the perspective offered here, was its promotion of unsustainable socio-economic mobility. Put differently, this period was not “blessed” by the oil boom, but “cursed” by the “oil curse,” as a result of the way in which the state handled oil-related affluence and also because this temporary socio-economic transformation created fickle new social expectations. In the final analysis, the oil-boom era facilitated the making of a large, struggling middle class, one living close to a real and/or imagined poverty line, and one whose hopes for a better future would be constantly dashed.

The following elaboration of the main arguments made in this book first explains why the oil boom was more significant than the Open Door Policy in bringing socio-economic change to Egypt. I later discuss state/middle-class relations and describe how middle-class interests and agency had historically shaped the emerging Egyptian social contract with the state. I also outline the spread of mass consumption and the commentators’ discontent with the making of

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consumer society in Egypt. Finally, I explain what was “middle-class” in the Islamic resurgence of the 1970s and 1980s.

### OIL BOOM AND THE OPEN DOOR POLICY

A key purpose of this book is to downplay the primary role of President Sadat’s Open Door Policy in the contemporary socio-economic transformation and to reverse this hierarchy by demonstrating why the regional oil boom had a much greater impact on this process. From this altered perspective, the Open Door Policy was an attempt to maximize the glut in local and regional wealth, more than an effort made to liberalize the Egyptian economy or a clear transformation from Nasser’s Arab Socialism. The impact of the regional oil boom on the Egyptian economy and society was apparently of much less interest, both in Egyptian public discourse and in academic analyses, than critical discussions about the Open Door.

Egypt was not a large oil exporter, like its neighbor Libya or the Gulf States. Nevertheless, since late 1973, the export of modest amounts of oil became a main source of state-earned foreign currency, especially after the return of the Sinai oil wells in the aftermath of the Egyptian-Israeli peace agreement. Since mid-1975, the reopening of the Suez Canal (which had been blocked in the aftermath of the 1967 War) and the increase in tanker and commercial traffic in the Suez Canal also supplemented government income. Egypt enjoyed state-to-state financial transfers and investments, associated both with the Gulf’s “purse politics” and later support from the USA. State-owned tourism became another important source of state revenue, and much of this tourism arrived from other oil-exporting nations. The remittances earned by Egyptian citizens in the Gulf and Libya, while not landing directly in the State Treasury, played an important part in Egypt’s oil-boom transformation, because they partially replaced demands for state-sponsored employment, public services and the need for welfare benefits. Moreover, those remittances fed investments in the fast-growing, informal economy in Egypt, increased the local demand for goods and brought on a surge of private

construction. During the oil boom, Egypt became dependent on oil-related revenues to an unprecedented extent.

After several years of economic hardship, in the wake of the 1967 War and after the proclaimed victory of the Ramadan War (1973), Egyptians expected quick economic improvement, as promised by President Sadat in his famous victory speech which officially inaugurated the 1974 Open Door Policy. This was meant to be the least painful way out of the postwar recession, albeit one increasingly dependent on direct and indirect revenues from oil. Officially, the Open Door Policy was to allow the public sector a certain degree of autonomy (so it might make progress without governmental help), as long as this increased state revenues.<sup>2</sup> The policy was intended to enhance the cooperation of multinational enterprises (MNEs) with public sector firms and to relaunch private investment and entrepreneurship, while safeguarding private property against sequestration and nationalization (as had happened in the past). It would liberalize financial markets, reduce import–export barriers and initiate enhanced infrastructures and free zones, thus endorsing further investment and joint ventures. Though little-discussed in public, the Egyptian army was meant to create its own resources, especially after the mid-1970s disarmament and the later signing of the peace agreement with Israel.

The repatriation of remittances was a primary goal of the Open Door Policy during this period (when they were markedly increased). Other goals of the Egyptian government were to attract more foreign, private and corporate investors from other Arab (oil-exporting) states and to accept more non-Arab investments. While often discussed as a radical shift in regional and international alliance, Sadat's Open Door Policy was logically closer to Nasser's "Third Worldism" than initially observed. Both Nasser and Sadat were operating to maximize political rent based on Egypt's geostrategic position and seniority in the region, albeit via different partners. Nasser envisioned economic

<sup>2</sup> Mourad Wahba, *The Role of the State in the Egyptian Economy: 1945–1981* (London: Ithaca Press, 1994), 196.

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opportunity by means of post-colonial activism and reliance on the USSR, while Sadat identified such an opportunity with the oil-rich exporters and later with the USA. In both cases, the fast demographic increase, coupled with the state's commitment to the social contract, placed a continuous burden on the state budget, which was incommensurate with the economic growth and resulted in the endless pursuit of additional external resources and mounting foreign debt.

Throughout the book, I document many notable public grievances regarding the deteriorating quality of state services: education, the attempts to reduce state subsidies and the decreased remuneration of state employees. Many considered the Open Door Policy to be the state's explicit, and often implicit, effort to retract an earlier commitment to state-led human development, concurrently with its relinquishment of state-led economic development and/or economic liberalization. In practice (discussed in detail in Chapters 2 and 3), the state had spent increasing sums of money on the existing social contract, financing more higher education and state bureaucracy and increasing the state provisioning of basic commodities (notably food subsidies).

Nevertheless, with the ongoing rapid population growth and oil-related price inflation, the increase in state expenditures on public services and welfare hardly counted as an improvement, because these expenditures were spread much thinner than before. The oil-related price inflation also raised food, and especially housing, prices. In fact, most of the public charges against the Open Door Policy were a direct result of the new, oil-boom conditions in Egypt. Moreover, Egypt's unsuccessful push for industrialization at that time was associated with a local variant of "Dutch disease" (typical in economies suddenly flooded with foreign currency, known as "petro-dollars"), as suddenly happened in Egypt with the rapid influx of oil-related remittances, state revenues and foreign investments.

While the oil boom provided new opportunities for socio-economic mobility, created by labor migration and the informal economy, such mobility was often fiercely criticized in Egyptian public



discourse (discussed in Chapters 4 and 5) as being an unproductive (parasitic) economic change, one which further facilitated the rise of undesirable social elements in Egyptian society. During the 1970s and 1980s, academic research often associated the fast spread of the Islamic movement in Egypt with growing political discontent regarding Sadat and his Open Door Policy. Indeed, Islamic opposition to Sadat grew over time, especially after the signing of the peace accord with Israel. However, throughout the book and particularly in Chapter 6, I emphasize the fact that local Islamic resurgence was part of a greater oil-related socio-economic change, including the spread of mass consumption, and not simply a reaction to the Open Door Policy; the oil boom was the main drive behind that decade's economic transformation. The mounting opposition to Sadat's policy, expressed in the local public discourse, largely reflected the growing socio-political and cultural disruption brought on about by that oil boom.

#### AN EFFENDI SOCIAL CONTRACT

In this section I discuss how the origins of a modern middle class in Egypt, especially during the formative interwar years, shaped an emerging social contract between the state and this stratum, as well as fashioning the Egyptian middle-class self-image and expectations for years to come.

Since the early nineteenth century, a new, educated professional group in Egypt, also known as the *effendiyya*, had come into being in conjunction with the state's growing demand for bureaucrats, technocrats and military personnel. Muhammad 'Ali, an Ottoman military commander and a founder of modern Egypt, introduced a series of economic and military reforms that required newly trained employees to fill civilian and military posts.<sup>3</sup> Even when his state-building project was partially halted under foreign pressure (from the Balta-Liman agreement of 1838), the *effendiyya* that had emerged under

<sup>3</sup> Yunan Labib Rizq, *Shu'un wa-shujun tarikhiyya* (Cairo: al-Hay'a al-Misriyya al-'Amma li-l-Kitab, 2005), 183.

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Muhammad 'Ali did not disappear. This occupational group had continued to expand throughout the nineteenth century under his successors with the expansion of modern, professional education and with the enlargement of the modern state apparatus in Egypt. This *effendiyya* also became increasingly "Egyptianized" as more indigenous Egyptians (not Ottoman elites) entered the expanding state service. While a middle class, as a stratum positioned in the socio-economic hierarchy between an Ottoman ruling elite and the rest of the Ottoman subjects, already existed,<sup>4</sup> the scholarship of the *effendiyya* rightly identified them as being the antecedent of a new social stratum with much more influence on Egypt's future culture and politics.

Direct British occupation of Egypt (1882) brought a familiar imperial dialectic to class–state relations. Often part of the state service, the *effendiyya* increasingly resisted foreign domination over the state. It was from this group that the national call and leadership of the national movement emerged. In the post-1919 Revolution, the transition of Fouad (later Cairo) University from a private to a state institution exemplified the strong tie between the national movement and the *effendi* interests and worldview. The expansion of state employment with partial independence after 1922 further manifested this connection between the nation-state and the developing Egyptian middle class. Military education and service in the Egyptian army complemented the above civilian routes to *effendi* status.

Members of the *effendiyya* dominated the public debate over the future of national culture. *Effendis* increasingly shaped Egyptian politics, especially extra-parliamentary/popular politics in Egypt's liberal age (1923–1952, between partial independence and the takeover of power by the Free Officers). The expansion of extra-parliamentary political activism from both the left and the right, and including the newly established Muslim Brotherhood, manifested

<sup>4</sup> Nelly Hanna, *In Praise of Books: A Cultural History of Cairo's Middle Class, Sixteenth to the Eighteenth Century* (Syracuse, N.Y.: Syracuse University Press, 2003).