

The Arab Spring and the “Unemployment Trap”

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Global Research, December 15, 2011
15 December 2011

Region: [Middle East & North Africa](#)
Theme: [Poverty & Social Inequality](#)

Prior to the Arab Spring, the official rate of [unemployment](#) in the Arab World was the highest globally. The labour share was as low as a quarter of national income. Productivity was negative. If a more sensible method of assessing unemployment is carried out, more than half of the labour force could be considered unemployed. The real economy was de-industrialising and shrinking relative to oil rent, and its capacity to reemploy people perished.

A propos, a 2004 technical [report](#) on economic performance in the Arab World stated that ‘the predisposition of major macroeconomic and demographic variables towards an inevitable collision implies that there is little space for argument over the unavailability of change. The built-up of imbalances in a regional economy that does not expand at a rate commensurate with the demands of the demographic transition means that, unless the system experiences a chance occurrence of heavy oil rent fallout, change cannot be gauged as a matter of degree.’ This report took about a year in preparation, so these remarks were written sometime earlier when oil prices were at historically low levels. The chance occurrence of [high oil prices](#) did indeed take place soon after, a matter which became pellucidly clear in 2005. But the massive oil rents could not avert an inevitably violent political and, only political and not social so far, restructuring or what has come to be known as the Arab spring.

Notwithstanding its mention of the welfare benefits of public sector employment, the [report](#) noted that ‘for every person finding a job in the eighties, there were two new entrants into the labour market reaching working age. By the late nineties, there were nearly four new entrants to every person finding a job. For a good part of two decades, the Arab Mashreq’s real wages have either declined or stood still while labour supply continued to outgrow labour demand.’ What the report however, did not say is that the underlying process generating unemployment was one of massive [dispossession](#) of the working population combined with supply-side economics. These two mechanisms of encroachment usually work together. On the one hand, wars – and there is no shortage of conflicts here – policies transferring public into private assets, including the rolling back of land reforms, and the curtailment of autonomous civil society, in particular, labour unions, de-value labour and existing wealth altogether. On the other, piecemeal policies of neo-liberalism facilitate the transfer of resources abroad at fire-sale prices and/or, subject to a system of prices, which is selfishly brokered by superior global powers. These are resources that could have otherwise been recirculated within the national economy and, consequently, contributed to sustaining a decent living condition for the working population.

As evidenced by the recent revolts, the neoliberal age meant disaster for the Arab World.

While the majority of the labour force was becoming effectively unemployed as a result of the shrinkage incurred by the productive economy, the policy advice of the World Bank and the [ILO](#) remained set on private-sector-led development and supply-side aspects of the labour market. As to the results of private-sector led development, from a high of over thirty percent in 1980, [the investment rate fell](#) to around fifteen percent in 2006. In an uncertain and war-stricken region in which the very existence of nation states was in question, investment went into ephemeral rent-seeking activity and not to employment-generating plant and equipment endeavours. As to the salient labour market policies of educating the labour force and fitting the right person in the right job, it was plain to see that the economy was becoming more anaemic, producing fewer and fewer jobs and, consequently, there were many and different types of workers available for any new fitting job. At any rate, as other sectors shrank relative to oil, it became apparent that oil-rent economies need not socially invest in the labour force for the simple reason that income is rooted in rent and not in knowledge-based productive activity. The skilled labour force emigrated while the rentier class hired unskilled labour from Asia for the service sector under cruel terms. That was an unemployment trap in which, trade in labour services amounted to underpriced value transfer from the poorer to the richer regions, hence accentuating global differences and uneven development.

So after all that has been said about the rosy prospects of private-sector driven development in the Arab world, a social disaster has been done. Instead of growth and jobs, the net result was on average poor growth and few jobs.

Instead of social and political rights, tighter civil liberties came about. Instead of environmental responsibility, working people witnessed the very basis of their livelihood corrode before their eyes. The transformation incurred to the social structure was dramatic: from an even-distribution public-sector led economy with a paternalistic type welfare state, to a highly-uneven private-sector and privately-owned public-sector led economy.

The ideological arsenal deployed to obfuscate was gripping enough to the point where it justified open pillage of the public sector. Illusory suppositions such as free competition, voluntary unemployment, and scarcity became the unquestionable premises upon which rested policy design and making. Reality was assumed away. Yet, while [child malnutrition](#) was rising in Egypt at astonishing rates, [Al Quds](#) reported that two percent of the Egyptian population controlled 98 percent of the Egyptian economy.

What will be the path of the Arab Spring: will it continue as a political tremor or will it be transformed into a social revolution?

Currently, one group of countries is headed towards open civil war and the possible demise of the state and governmental structure.

This process, if it were to continue, will feed the transfer of value through militarism and encroachment. Wars cheapen the foremost input into accumulation, that is, human life. Another group, where Islamic political parties assumed power through the ballot box, will most likely remain trapped in the policies of the past further under-developing these social formations. The corruption that any revolutionary process is supposed to reverse has to do with stemming the transfer of value and under-priced resources to the more advanced countries. So long as these political parties sanctify property rights irrespective of the degree of mal-distribution, ordain a repressive labour process, and place obligations before

rights, it will not be possible for a *volte face* of policy to occur.

In view of the fact that the majority of the working population has been dispossessed and that these economies cannot conceivably reemploy the massive redundant population under the received efficiency criterion of productivity expansion, it is time to introduce a [different social benchmark](#) for employment creation. The [state must act as employer of last resort](#) and equity must precede efficiency until the revalorisation of socially valuable work begins to pay off.

For full employment policies to succeed, a relative delinking of these economies through partial protectionism, selective and multiple exchange and interest rates policies that ensure the recycling of values and a locking-in of national resources are required. These were applied in the past in Egypt and Syria and represented a golden age of development. For the political revolution to become a social one, two conditions must be satisfied: a strengthening of national security by enhancing the security of working people through security from want, and a management of the price system to oversee and restrain the usurpation of the social product.

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