Neoliberal War of Movement

The 1980s saw a transformation of the economic structure of Egypt’s historical bloc toward rentier state capitalism, which stabilized class relations and allowed the Mubarak régime to absorb and disarm political opponents. The following chapter reveals how a fall in rentier income encouraged the régime to move back to a neoliberal war of movement against the subaltern classes, engaging in a new and aggressive strategy of accumulation by dispossession and ending the ‘postpopulist’ consensus.

Neoliberal Counter-Reform

The rentier economy of the decade between 1975 and 1985 had supplied the ruling classes with enough financial leeway to appease the popular classes that were dominated in the postpopulist bloc. However, from the second half of the 1980s onward, rental income decreased and the ‘steady state’ economy showed signs of exhaustion. The global fall of oil prices diminished the influx of petrodollars from the Gulf region, and high inflation depressed real wages. National debt rose to more than 38 billion USD in foreign obligation and the budgetary deficit increased to over twenty percent (Richards and Waterbury 2008, 225). The Gulf War of 1991 led to the return of many migrant workers to Egypt, who flooded the domestic labor market. It also resulted in the collapse of tourism, compounding the state’s fiscal crisis, which was induced by the régime’s inability to pay back its military debts (Mitchell 2002, 276). Lastly, for the USA, the collapse of Stalinism decreased the value of Egypt’s ‘geopolitical rent’: i.e., the price in loans and financial and military aid for its alliance with the Western bloc. The dry spell in traditional sources of rent income, combined with the reluctance of the state and private capital groups to invest in the productivity of agriculture and industry, left the régime with only three options: finding new sources of external rent; increasing the rate of exploitation of labor (absolute surplus extraction); and the dispossession of public assets. The fiscal crisis forced the Mubarak régime to turn to the IMF and World Bank to save the economy from bankruptcy (Farah 2009, 41). In 1991 Egypt accepted an Economic Reform and Structural Adjustment Program (ERSAP) inspired by the neoliberal paradigm of the ‘Washington consensus’ (Bush 2007, 1599). The IMF loan allowed the government to ‘solve’ the financial crisis of 1990–91 with a massive
capital injection in the banking sector of 5.5 percent of GDP and an additional fiscal exemption worth ten percent of GDP (Mitchell 2002, 279). In exchange, the ERSAP aimed to contain and decrease foreign debt and inflation, by cutting state subsidies on consumer goods, privatizing public companies, liberalizing markets and prices, freezing wages, commercializing agricultural lands and implementing a flat tax. Thus, neoliberal, ‘market-oriented’ reform became the logical instrumentality of a crony-capitalist rentier state.

The liberalization of agricultural prices and markets had already began in 1987. The Egyptian government promoted “[…] a US farm-type model of extensive capital-intensive agriculture driven by market liberalisation, export-led growth and tenure reform” (Bush 2007, 1604) The underlying rationale of liberalization was that rising prices of agricultural produce would attract capital to invest in rural production. The state regarded landowners as willing allies in the realization of the free trade policies of the IMF, which promoted cash crop production. Similar to the colonial era, the economic interests of large-scale landholders were tied to those of foreign capital groups.

As a declaration of war against land tenants, Mubarak’s Law 96 of 1992 abrogated Nasser’s Agrarian Reform Law of 1952, granting former landowners the right to reclaim the lands that their families had lost during the redistribution policies of the 1950s and 1960s. In addition, the prices of land rents were to be governed fully by market forces instead of determined by law. After a five year transition period, the New Tenancy Law came into effect in 1997: from then onward, land rents were governed by market prices instead of the former fixed rent system. Rents increased by as much as 400 percent (Bush 2007, 1606). In addition, landowners started to drive tenants from their land (Beinin 2001, 164). A majority of lands became fully owned by the landed elite and embedded in a modern capitalist system of cash paid tenancies, allowing the landlords to accumulate capital at an accelerated speed (Bush 2009, 88–90). The livelihoods of some five million Egyptians were endangered by the New Tenancy Law as neoliberal reform in the countryside brought about a rise in land rents, the concentration of landholdings, and rural violence; landowners sent police troops and thugs to chase farmers from their lands. The fragmented

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1 In Nasserist and post-Nasserist Egypt tenants had to pay an amount of legally fixed capitalist rent. Law 96 removed the ceiling on the amount of rent. Increasing land rents was a necessary step to maintain the rate of profit for landowners, as the concentration of land had caused a fall in productivity (Dyer 1997).

2 Ironically, the introduction of market-oriented production and price formation in the countryside reinforced the dominating rentier logic, strengthening low productivity and increasing the prices of agricultural goods.