A popular uprising within an “economic miracle”: An institutional analysis of the Tunisian spring

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ESCP Europe
Why Tunisia?

Tunisia as a laboratory for understanding the logic of limited access orders

- The regime of Ben Ali provides an illustration of the limited access order

Tunisia has been - and remains - at the forefront of the “Arab Spring”

- Can help to understand institutional systems in other Arab countries
- and the difficulties that transition from limited access to open access engenders

An opportunity to explore data that was previously inaccessible to the public
A popular upsurge within an “economic miracle”

**Paradox**: A popular uprising that happened in what was considered an “economic miracle”

« The economic policy adopted here is a sound policy and is the best example to follow by several developing countries »

**Dominique Strauss-Kahn, Managing Director of the IMF**

Tunis, November 18, 2008

« Thanks to the sound policies implemented over the years, Tunisia will face the economic crisis with solid fundamentals »

**IMF (2009)**
The economic miracle under Ben Ali: myth or reality?

(1) GDP per capita (US $) of 8 MENA countries (non-oil producing countries, middle income)

Source: Authors’ calculations based on WDI database (US $)
The economic miracle under Ben Ali: myth or reality?

(2) Poverty and Inequality Measures

Comparatively very low rate of population under **threshold of poverty** (absolute: 0.4 %; relative: 1.14% in 2010)

**Gini coefficient index**: from 43.4 in 1985 to 36 in 2010

<table>
<thead>
<tr>
<th>Country</th>
<th>Gini coefficient</th>
<th>Year estimation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>35</td>
<td>2000</td>
</tr>
<tr>
<td><strong>Tunisia</strong></td>
<td>36</td>
<td>2010</td>
</tr>
<tr>
<td>Italy</td>
<td>36</td>
<td>2000</td>
</tr>
<tr>
<td>USA</td>
<td>41</td>
<td>2000</td>
</tr>
<tr>
<td>Mexico</td>
<td>47</td>
<td>2010</td>
</tr>
<tr>
<td>Nigeria</td>
<td>49</td>
<td>2010</td>
</tr>
<tr>
<td>Chile</td>
<td>52</td>
<td>2009</td>
</tr>
<tr>
<td>Brazil</td>
<td>54</td>
<td>2009</td>
</tr>
<tr>
<td>South Africa</td>
<td>63</td>
<td>2009</td>
</tr>
</tbody>
</table>

Source: WDI database (US $)
The Tunisian economic miracle under Ben Ali: myth or reality?

(3) Human Development Indicators

<table>
<thead>
<tr>
<th>IDH</th>
<th>Tunisie</th>
<th>Égypte</th>
<th>Jordanie</th>
<th>Liban</th>
<th>Maroc</th>
<th>Syrie</th>
<th>Yemen</th>
<th>Algérie</th>
<th>Arabie Saoudite</th>
<th>Émirats arabes</th>
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<tbody>
<tr>
<td>Indicateur de développement humain (IDH)</td>
<td>0,71</td>
<td>0,66</td>
<td>0,69</td>
<td>0,74</td>
<td>0,58</td>
<td>0,64</td>
<td>0,46</td>
<td>0,71</td>
<td>0,77</td>
<td>0,79</td>
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<td>0,78</td>
<td>0,77</td>
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<td>IDH non monétaire</td>
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<td>0,69</td>
<td>0,76</td>
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<td>0,60</td>
<td>0,69</td>
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<td>0,75</td>
<td>0,77</td>
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<td>0,78</td>
<td>0,75</td>
<td>0,79</td>
<td>0,72</td>
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Santé

<table>
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<th>Moyenne MENA</th>
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<tbody>
<tr>
<td>Espérance de vie à la naissance, total (années)</td>
<td>74,6</td>
<td>70,5</td>
<td>73,4</td>
<td>79,3</td>
<td>70,2</td>
<td>74,9</td>
<td>62,3</td>
<td>70,6</td>
<td>75,1</td>
<td>76,3</td>
<td>76,6</td>
<td>73,1</td>
<td>68,8</td>
<td>74,2</td>
<td>74,8</td>
<td>76,0</td>
<td>78,1</td>
<td>73,5</td>
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<td>Taux de mortalité infantile (pour 1 000 naissances vivantes)</td>
<td>15,0</td>
<td>19,6</td>
<td>17,3</td>
<td>8,7</td>
<td>28,8</td>
<td>13,1</td>
<td>49,2</td>
<td>18,4</td>
<td>8,5</td>
<td>8,6</td>
<td>7,5</td>
<td>16,5</td>
<td>29,7</td>
<td>9,7</td>
<td>14,5</td>
<td>10,3</td>
<td>6,9</td>
<td>16,6</td>
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<td>Dépenses en santé, publiques (% des dépenses du gouvernement)</td>
<td>13,3</td>
<td>5,6</td>
<td>19,5</td>
<td>9,1</td>
<td>6,5</td>
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<td>4,3</td>
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<td>5,2</td>
<td>4,2</td>
<td>6,7</td>
<td>5,1</td>
<td>8,0</td>
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<td>Dépenses en santé, publiques (% du PIB)</td>
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<td>1,9</td>
<td>5,7</td>
<td>2,8</td>
<td>2,1</td>
<td>1,6</td>
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<td>2,3</td>
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<td>2,3</td>
<td>1,6</td>
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Éducation

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<th>Yemen</th>
<th>Algérie</th>
<th>Arabie Saoudite</th>
<th>Émirats arabes</th>
<th>Algérie</th>
<th>Arabie Saoudite</th>
<th>Iran</th>
<th>Iraq</th>
<th>Koweït</th>
<th>Libye</th>
<th>Oman</th>
<th>Qatar</th>
<th>Moyenne MENA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taux d’alphabétisation, total des adultes (% des personnes âgées de 15 ans et plus)</td>
<td>79,1</td>
<td>72,0</td>
<td>92,6</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>94,6</td>
<td>.</td>
<td>.</td>
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<td>.</td>
<td>.</td>
<td>86,9</td>
<td>96,3</td>
<td>86,9</td>
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<tr>
<td>Total des inscriptions à l’école, primaire (% net)</td>
<td>99,8</td>
<td>.</td>
<td>97,4</td>
<td>92,2</td>
<td>94,4</td>
<td>99,1</td>
<td>82,4</td>
<td>99,0</td>
<td>91,9</td>
<td>.</td>
<td>96,0</td>
<td>99,8</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>95,2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enfants n’allant pas à l’école primaire</td>
<td>1 981</td>
<td>.</td>
<td>21 409</td>
<td>34 930</td>
<td>197 977</td>
<td>18 600</td>
<td>656 001</td>
<td>29 678</td>
<td>265 333</td>
<td>.</td>
<td>11 699</td>
<td>11</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>.</td>
<td>891</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inscription à l’école, primaire, privée (% du total d’élèves au primaire)</td>
<td>2,1</td>
<td>.</td>
<td>33,1</td>
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<td>10,8</td>
<td>4,2</td>
<td>4,0</td>
<td>0,1</td>
<td>9,2</td>
<td>31,1</td>
<td>71,7</td>
<td>7,2</td>
<td>.</td>
<td>39,2</td>
<td>.</td>
<td>.</td>
<td>55,5</td>
<td>26,2</td>
<td></td>
</tr>
</tbody>
</table>

Source : WDI database
To sum up:

The Tunisian economic miracle is not a myth

Economic and human indicators have been inadequate neither to anticipate nor to explain the popular uprising

The determinants of the popular uprising can not be exclusively based on economic factors

- We need to extend our analysis to political liberties as well as social and economic opportunities
Research question and hypothesis

Research question

Puzzle # 1: A limited access society compatible with sustained growth: How is it possible?

Puzzle # 2: If it so, why the brutal change?

Hypothesis

The popular uprising in Tunisia cannot be explained by an economic crisis nor by shocking inequalities with respect to monetary or human development indicators such as level of absolute poverty or access to education and health.

- Sources are to be found in institutional arrangements that explain simultaneously the economic success and the political failure of the Ben Ali regime.

- A clan-based structure of the political power.
Social order and the key problem of violence

North et al., 2013: two major types of regulation of human interactions within societies:

- **Limited access orders (LAO)**
  - Controlled by the dominant coalition of elites: creation and distribution of rents
  - Limited access and discretionary allocation of resources and rents
  - Nature of institutional arrangements: (preponderance of) Personal-based arrangements

- **Open access orders (OAO)**
  - Controlled by perpetual lived organizations: legitimate capacity of violence
  - Open access, with competition (erosion of rents)
  - Impersonal-based Institutions (not attached to individual or to exclusive group)

→ Most developing countries are LAO (North et al., 2013)

→ Development process = institutional transition from limited to open social order
Social order and violence: the Tunisian case

The institutional foundations of Tunisian social order

**Limited access orders (LAO)**
- Control of violence
- Access to power & organisations
- Nature of institutional arrangements

- Controlled by the dominant coalition of elites: creation and distribution of rents
- Limited access and discretionary allocation of resources and rents
- (preponderance of ) Personal-based arrangements

**Tunisian social order under Ben Ali**
- Powerful security apparatus built and captured by Ben Ali
- Political and economic bargaining
- Institutional barriers and neutralization of governance systems
- Tailored competition
- Clan-based structure of economic and political power
- But existence of the rule of law

⇒ Tunisia is a mature LAO
Puzzle # 1: LAO compatible with sustained growth: How is it possible?

Key factor 1: Political stability (control of violence)
No credible political competitor threatening the Ben-Ali regime
(repressive policy, weak collective action/organizations, monopoly over information, etc.)
A solid clan-based structure of the power at the highest level of the hierarchy

- Weak political risk

Key factor 2: Favorable business environment (access to rents/economic opportunities)
Access limited to coalition members, but extended incentives and facilities (administration, taxes, etc.)
Rules of law (security of transactions and contracts, property rights) although with restrictions for political reasons
Highly educated workforce

- Incentives to invest and sufficient conditions for markets to work

Key factor 3: Proactive state capitalism (relationships among actors)
Usage of state institutions to create and distribute rents
Highly trained civil servants and relatively efficient administration
‘Liberalization’ tailored according to political goals

- Resilience to economic shocks
Institutional arrangements that, notwithstanding inefficiencies, create a level of confidence for a selected but relatively large number of investors.
## Puzzle #2: Why the brutal change? The key determinants of the collapse

**Dynamic perspective of the Tunisian social order:**


<table>
<thead>
<tr>
<th>Year</th>
<th>Event/Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>The &quot;medical&quot; coup d’État of Ben-Ali</td>
</tr>
<tr>
<td>1992</td>
<td>Marriage with Leila Trabelsi</td>
</tr>
<tr>
<td>1994</td>
<td>Liberalization program</td>
</tr>
<tr>
<td>2002</td>
<td>A constitutional referendum: unlimited number of five-year terms and amended upper age limit</td>
</tr>
<tr>
<td>2004</td>
<td>Ben Ali re-elected for a forth term (94% of the vote)</td>
</tr>
<tr>
<td>2009</td>
<td>Ben Ali re-elected for a fifth term (89% of the vote)</td>
</tr>
<tr>
<td>2010</td>
<td>The popular uprising</td>
</tr>
</tbody>
</table>

- **Ben-Ali has a monopoly and exclusive power over the creation and distribution of economic and political opportunities**
- **Ben-Ali has lost the exclusive power in favor of newly powerful members of the Trabelsi-Ben-Ali family**
Puzzle #2: Why the brutal change? The key determinants of the collapse


1987  
**Ben Ali I**  

- Ben-Ali has a monopoly and exclusive power over the creation and distribution of economic and political opportunities
- Ben Ali: sole supplier of rents
- Discretionary allocation of rents based on allegiance to the dominant clan
- A relatively large and inclusive coalition: generalized bargaining system (rents in exchange of political support)
- Ben-Ali as coordinator of private interests with a national development perspective

2004  
**Ben Ali II**  

- Ben-Ali has lost the exclusive power in favor of newly powerful members of the Trabelsi-Ben-Ali family
- Multiplication of suppliers: the emergence of a multi-polar clan
- Weakening of redistributive capacity
- Narrowing of the coalition and exclusion of an increasing number of members
- Uncoordinated interests and personal strategies: aggressive competition among family members to capture rents
Puzzle # 2: Why the brutal change? The key determinants of the collapse

From rent-seeking to spoliation: some key mechanisms as perceived by the business community

<table>
<thead>
<tr>
<th>Type</th>
<th>Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connections</td>
<td>Capture of juicy contracts, Definition of oversized projects, Biased access to public procurement, Compulsory ‘intermediation’</td>
</tr>
<tr>
<td>Petty Corruption</td>
<td>“Oiling” the administrative machine, Small bribes (“compensation for services”), Support of social activities from clans</td>
</tr>
<tr>
<td>Large scale corruption</td>
<td>Purchase of state-owned land, Capture of public contracts, Getting monopolistic positions</td>
</tr>
<tr>
<td>Predation</td>
<td>Forced Co-investment, Control over authorization of business activities, Capture of preys in privatization programs, Abuse of stock exchange to capture profitable firms, Circumventing custom code, Development of parallel markets</td>
</tr>
<tr>
<td>Violent extortion</td>
<td>Harassment and threat, Physical menace, Prison, torture</td>
</tr>
</tbody>
</table>

Evidence of state capture and tailored liberalization


Cronyism and Regulation in 2010

*Prevalence of regulatory restrictions across sectors*

<table>
<thead>
<tr>
<th></th>
<th>Sectors with BA firms</th>
<th>Sectors without BA Firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorization</td>
<td>39.3%</td>
<td>24.3%</td>
</tr>
<tr>
<td>FDI Restriction</td>
<td>42.9%</td>
<td>14.1%</td>
</tr>
</tbody>
</table>

Puzzle #2: why the brutal change? The key determinants of the collapse

Evidence of rent capture

220 connected firms (‘Commission de Confiscation’)


⇒ In 2010, connected firms represented less than 1% of private employment but captures over 20% of net profits
Puzzle # 2: Why the brutal change? The key determinants of the collapse

The bottom line:

The exacerbation of clan-based arrangements and spoliation during Ben Ali II has gradually destroyed the confidence generated under Ben-Ali I

- The logic of rent-seeking impacted economic competitiveness
- Spoliation destroyed incentives for investment
  « Remain small to remain out of the radar of predators »
- Misappropriation of a substantial chunk of national resources
  (est. 5 billion Tunisian dinars = ~ $ 3 bn)
- Generalized perception of unfair rules of the game, with the exclusion/disengagement of an increasing number of members of previous “grand” coalition
- From coordination to fight: VIOLENCE became a viable option
Main conclusions

Ben Ali maintained social equilibrium, creating stability and minimum conditions for economic growth

**Economic success was the cornerstone of the Ben-Ali strategy to perpetuate itself**

Nevertheless, given the absence of systematic guarantees on property rights and contracts, markets will generate fewer investments and economic opportunities than they would if every actor had confidence in the long-term security of its contracts and rights

⇒ The solution to violence provided by the LAO (creation and allocation of rents) is part of the development problem
Theoretical implications

A powerful and stable government could create “some” confidence and conditions for economic growth

Nevertheless, for sustainable economic development to occur, the power of government must be restrained to preclude an abuse of power and the repeal of individual rights

Personal-based arrangements are likely to produce stability only for a short period and confidence only at a limited scale

… only impersonal-based institutions can generate sustainable stability and confidence
What is to be done?

There is no magic formula

→ Development remains a complex process

→ Every country needs to create its own model

Our perspective: create conditions for:

→ Perpetual state + monopoly of legitimate coercive power

→ Political and economic competition to erode rents and privileges

→ Impersonal institutions (→ stable expectations and systematic confidence)
Practical implications and avenues for future research

The current challenges to Tunisian transition from limited to open access order

- The persistence of rent-seeking practices
- The persistence of institutional barriers that protected the few at the expense of many
- The omnipotence of the state administration in the economy

Hypothesis:

The persistence of the Ben-Ali legacy and the perverse effects of the bargaining system which involved a substantial part of the population in the “rent market”
We welcome your suggestions and comments
Additional comments about the Tunisian uprising
Loss of monopoly over information – the ‘internet’ factor in the case of Tunisia and more generally the “Arab spring” – and the development of alternative collective actions
(Relatively) Peaceful popular uprising
The key role of women