CHAPTER II

FISCAL POLITICS: A COMPARATIVE PERSPECTIVE

1952-1982
Introduction

Having developed political institutions with close links and control over the economic structure fiscal decisions became significant in Egypt's government-dominated economy. With the budget emerging as a crucial element in realising the objectives of the ruling regimes, power relations in the state were inscribed within distributive and allocative decisions. The illustration of fiscal politics - the elaboration of the exigencies or issues articulated by the defineable entrenched and emergent interests within corporatist structures of the state which ramify in fiscal decisions - is therefore important in explaining how actors involved with decision-making in the state formulate the principles which underline the distributive and allocative decisions that also provides the underpinnings for interpreting the fiscal crisis of the State.

This chapter explicates the relationship between fiscal policy and the political system to bring out the causal significance of the fiscal problem to the transformation in Egyptian political economy during the 1970's. Through an illustration of the twin processes of political development and economic change an attempt is made to establish the linkage between the processes of State-formation and national accumulation during the period 1952-1982. As fiscal
policy emerges as an output of the decision-making process, posteriorly, the fiscal problem amounts to economic effects of political choices. The exposition of the processes of decision-making facilitates explanation of the interconnection between power relations in the state and public policies adopted specifically fiscal decisions.

The examination of extra-economic variables in fiscal decision-making highlights the factors impeding the adoption of economic-efficient measures and the resultant effect on the structure and performance of Egypt's national accumulation. Analysis of the historico-institutional changes in Egypt's political structure under the successive regimes of Nasser and Sadat are contextualized within transformations from collegial leadership to Presidentialism. Shifts observed within executive dominated framework of decision-making\(^1\) which precluded any intervention by either the masses or any organised groups necessitates that the changes be examined within intra-elite competition. Therefore, in the absence of any radical transformation in 'class character' of the ruling coalition, the principles which underline

elite-imposed public policy in general is the imperative of preserving exclusionary authority roles. The comparative dimension of fiscal politics under both regimes is analysed within the given economic and political situations to provide explanations of why and how fiscal decisions are made and their implications for both economic performance and sustainability of the policy process.

Granted the centrality of fiscal policy to economic performance in the government-dominated economy it is argued that the strength and weaknesses of the budget is reflected in the entire government structure. Therefore, the crisis that developed within the accumulation process in the post-1967 war engendered transformations observed in Egyptian political economy in the early 1970's. The impact of fiscal decisions on economic performance is analysed and correlated with changes in the institutional framework of economic policy making.

The serialized discussion captures the significance of fiscal decisions within the sequence in the overall thrust given to public policy to facilitate the progression of Egypt's social formation within the capitalist mode. The analysis overlaps with the periodised epochal changes under

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2. Changing hegemony and alliances of 'classes' induced by the transformations in the Egyptian political economy since the early 1970's is hereby implied.
the successive regimes during 1952-1971 and 1971-1982. Implicitly, the state capitalist social formation that developed during the Nasserite regime is the starting point of the analyses. The perspective of the symmetry in political and economic changes underlines politics as dictating economic choices in the process of state-formation in Egypt. The influence of 'externalities' in Egypt's economic process and performance draws on extra-economic exigencies shaping fiscal priorities. Given the extra-economic exigencies influencing state intervention in the economic process it is shown that the trade-off between state actors and societal forces for consummating fiscal policy enhanced the "steering capacity" of the State on an ad hoc basis but had direct correlation with economic performance. On the assumption that successive regimes were concerned with promoting national welfare, fiscal policy as with public policy in general, is viewed positively within the logic of maintaining an all-embracing social-coalition during the process of state-formation.

Disarticulation of Societal Dependency

The power profile of pre-revolutionary Egypt which indicates interconnectedness of economic domination and

3. Fiscal policy assumed importance in Egyptian political economy during the period.
political authority was linked to two factors: underdevelopment of capital, and political underdevelopment. While the former nurtured compradorization in the economic space the latter facilitated domination of political power by an exclusionary elite. By inscribing social relations of production into the institutional materiality of the quasi-feudal colonial society, foreign domination bequeathed a legacy which facilitated economic avenues to political power. Thus, the 'state' that existed till 1952 was <a priori> "rigged" to the advantage of the dominant class within the formation. As the mode of production sustained and preserved the political order, the elitist kind of political participation precluded mass-based organisation and participation.

Given the compradorial character of the dominant socio-economic classes vis-a-vis the metropole economy, primitive accumulation in the quasi-colonial economy foreclosed auto-

4. It seems more appropriate to ascribe political structure rather than state as the political elites lacked autonomy in policy making. The Treaty of Independence of 1921 stricctured Egyptian autonomy as the political system lacked sovereignty in an absolute sense.


centric growth and afforded factor mobilisation to the extent that it preserved Egypt's dependency. Furthermore, extra-jurisdictional strictures on the polity subordinated the political class and precluded sovereignty in policy formulation. The political context of pre-revolutionary Egypt therefore, inhibited the adoption of any 'radical' policy, the absence of which preserved domination of feudal interests over the political structure, and the preeminence of export-oriented agrarian sector in the economic structure. Unrestrained by mass-based organized groups, the dominant political actors acquired enormous leverage over public policy formulation and articulated it in 'zero-sum' terms thereby glossing the externalities constraining the development of national capital. As conflict, rather than cooperation, characterized the relationship between the political actors the emergence of corporate solidarity or consciousness identifiable with a political class was imped-


8. Land Reform had been a topical issue prior to the military intervention but under the liberal order the regime lacked the implementation capability. See further Robert Tignor 'Equity in Egypt's Recent Past 1945-1952' in G. Khalek and R. Tignor ed., The Political Economy of Income Distribution in Egypt (New York : Holmes and Mieir 1982) pp.27-32.
ed. Rivalries among them which resulted in the 'acute crisis of authority' also weakened the extractive capacity of the 'state' for resources.

The exclusionary framework of the polity which alienated the mass of society from the policy process hindered political development and weakened the foundations of the political structure. Furthermore, the compradorial links of the dominant socio-economic cum political forces restrained the development of national capital on an autonomous basis. As a result of the weak economic and political foundations, the liberal order was replaced with ease by the 'Free Officers' in July 1952.

Nationalization of Accumulation

Vulnerabilities associated with the linkages of the domestic structure with dominant forces in the world structure appeared to have provided a pretext for military intervention in Egypt's political life and for initiating changes in the power profile. While the immediate effect of the military intervention was obvious in the replacement of the political class, subsequent measures implemented after the acquisition of political power resulted in selective sever-

ance of links which circumscribed Egypt's autonomy thereby accelerating the process of state-formation.

Having installed a 'rational' rather than a representative government the statization of society was attempted by seeking to conscript all political and economic resources in society. It was envisaged that a "state above classes" would be created within the corporatist formula of the "alliance of popular working forces". The single dominant party which epitomised the corporatism was an organ for cooptation and mobilisation of societal interests. The potential of the single party system in overcoming political underdevelopment - identified with mass political apathy - was however limited as it evolved as a device for preempting the articulation of any alternative to elite-imposed agenda. Consequently, it facilitated the development of top-down policy process in the context of state-society relations but also generated the need for sustained populist measures for preserving the links. As society was linked to the state


11. In facilitating legislative accession to Executive programmes (within the national agenda) with insignificant obstruction the beneficial impact of the single party was not complemented by the internal struggle within the ruling obligarchy. Intra-elite competition revealed its quasi-coalitional character and instability in the policy process. This instability may have resulted in the inability to achieve consensus on policy as referred to earlier. See: Waterbury, n.9 p.88.
by various institutions the emergence of political institutions with close links to the economic structure, subjected the rhythm of national accumulation to influences transmitted by political developments.\textsuperscript{12}

**Statization and ideologization of Development**

The conspiratorial acquisition of state power predisposed the military regime towards authoritarian rule in the interest of regime security and policy stability. Authoritarian rule resulted in the growth of Executive power within the political structure. By centralizing power within the proto-"closed hegemony",\textsuperscript{13} designated Revolutionary Command Council (RCC) - to which the Free officers core was inducted-, the regime assured itself of exclusive domination of the policy process.

As state-formation required the development of 'steering instruments', including public institutions, the pattern of encadrement was crucial in realising objectives of the

\textsuperscript{12} Mead concluded that insofar as no drastic economic transformation took place until after ten years of military rule, economic dictates therefore did not undermine military intervention. See further, Donald Mead, *Growth and Structural Change in the Egyptian Economy* (Illinois: Rice D.Irwing 1967) p.249.

\textsuperscript{13} Ichimura, n.1.
ruling regime. The objectives\textsuperscript{14} espoused at the inauguration of the military rule ordained the institution of a 'command structure' over societal forces.\textsuperscript{15} With the military appearing as the only 'free' and organized class capable of stabilizing society it was transformed into the political class. Through deployment of its cadre over the commanding heights of civil institutions the military dominated the political and administrative infrastructures besides regenerating the core of the ruling elite. Having developed most political institutions with close ties to the economic structure, political clients drawn from military ranks assumed the role of 'political entrepreneurs'\textsuperscript{16} and organised a following in State institutions. In the medium and long term these State institutions were converted into quasi-fiefdoms to gain wider access to State resources through the size and power of encadrement - given the need

\textsuperscript{14} These included viz., the eradication of imperialism and its stooges; the ending of feudalism; abolition of the domination of capitalism over the government; establishment of social justice; the construction of powerful national army; and the creation of a sound democratic system.

\textsuperscript{15} The radical variant of developmental nationalism identified with the six principles of the regime aimed to incline society towards the state thereby enabling mobilisation of societal forces as a bulwark against resurgence of reactionary forces.

\textsuperscript{16} Adopted from study by Warren Illchman and Norman Uphoff: \textit{The Political Economy of Change}, (Berkeley Univ. of California Press, 1971) p.20.
for mass mobilisation of support for the regime. State elites recruited societal forces within public institutions for active mobilisation in the 'production' of support and political stability crucial to the realisation of the objectives of the regime thereby overcoming the initial lack of penetrative and mobilizational capacity. Concurrent with the re-ordering of the polity the regime embarked on the reorganization of the framework of national accumulation on an inward-looking basis to overcome the endemic problem of capital underdevelopment.

Estatist Development

The six principles enunciated by the Nasserite regime at its inception approximated developmental nationalism and envisaged state-direction of the development process. The cohesion within the free officers' corp. which preceeded

17. Resource mobilisation imposed limits on regenerating legitimacy across societal-sections based on encadrement into public institutions. As a supplement therefore other forms of inclusivist policies were adopted for weaning into the state.

18. A rationale for projecting the productive aspect of politics highlights the social totality of the regimes policy. The work of Ilchman and Uphoff is very instructive in this regard. See further Ilchman and Uphoff n.16 p.29.


the coup facilitated the formulation of the principles but was however short-lived as the solidarity of the group was fractured when the principles were to be implemented.\textsuperscript{21} Moreover, constraints emanating from the structural conditions of capital accumulation and the responses of domestic bourgeoisie and international capital appeared unfavourable for the realisation of the stated goals. The regime responded to these exigencies by radicalizing its strategies of development. This resulted in an activist role for the state in the economic process while private capital was emasculated and marginalised. The dynamics of capital accumulation within the emergent public sector transformed the role of state class and resulted in the emergence of a powerful bourgeois class within the state apparatus.

The variant of developmentalism adopted was an antithesis of extroverted dependency.\textsuperscript{22} Herein, State policies

\textsuperscript{21} It was in the course of implementing the land reform measures that divergent interests within the ruling coalition became apparent and restrained adoption of radical policies subsequently. Within the power realities subsequent policies may be contextualised within agrarian transition.

\textsuperscript{22} Developmentalism approximates an ideology for legitimation of political authority and asserting national autonomy. The latter aspect is of particular significance from a historical perspective of the development of Egyptian nationalism which was imbued with strong economic overtones against external domination and influences that subjected the predominant agricultural sector to wide fluctuations.
were geared towards developing the complimentarity of the economic variables as to subvert the vagaries of exogenous influences and, to redress the domestic socio-economic disparities identified with extroversion.\textsuperscript{23} The central thrust of the State-led strategy was on 'Agrarian transition'.\textsuperscript{24} Under State-led development it was envisaged that the economy could be 'modernized' and its extroversions annulled through growth of an intermediary urban sector - between the rural and external sector. Sectoral biases were inscribed within the developmental strategy of the regime insofar as it envisaged expropriation of agricultural surplus. The conduit function of the bureaucracy in facilitating resource flows between societal and economic sectors created the basis of a transfer state and reinforced the performance or its traditional function of statization.

Being the predominant sector, Agriculture was earmarked for 'exploitation' to promote the development of the 'modern' urban sectors. The Land Reform Act by which the government attempted to rectify the deformed agrarian produc-


tion relations rather than annulment of scale economies was neither an incentive for investment by the agrarian bourgeoisie nor voluntary performance of fiscal responsibility. Furthermore, land redistribution ruptured rural solidarity by antagonizing interests of beneficiaries and sequestrees, a situation hardly conducive to re-investment by the agrarian bourgeoisie. In redressing disparities in rural production relations, cooperativization that followed land redistribution proletarianized rural labour and diluted the domination of feudal interests. Although land redistribution infringed on the economic interests of its potential rivalries the inclusivist character and function of the

25. Cooperativization was used to conscript rural production forces into the state through interventions in the product and factor markets. Moreover, the intervention of the state especially under the land reform certified its revolutionary character rather than to revoke capitalist production as revealed by President Sadat. See Anwar H. Sadat, In Search of Identity (New York: Harper and Ron, 1978). p.130.

26. The generous limits to land holdings do not suggest that redistributive measures were punitive rather they appear designed to prompt difference of the agrarian bourgeoisie to the industrialisation effort in coterminality with the regimes drive for agrarian transition. Therefore, cooperativization was interspersed with equity and the vital distributive measures were dictated both by social and economic rationality.

27. Intra-elite intrigue precipitated by the reactionary forces incipient in the first two years created pressures within and near stagnation in its functioning. Resolution of the intra-elite power struggle was accompanied by retrenchment within the junta and military cadre that further inclined the regime towards corporativist policies as a survival strategy.
cooperatives created ensured that through price manipulation in the factor and product markets the mass of rural productive forces and the dominant rural interest, the *Umdah* class, were aligned as state-centred interests and in turn the state transferred higher social surplus from agriculture. Biases in the sectoral terms of trade against agriculture maintained by the pricing system however, impinged on long-term growth of social surplus from the sector.

The inadequate pace of transfers by the agrarian bourgeoisie into the 'modern' sectors as quickly and adequately despite the generous limits to land holdings were identified with persuasive approach of the government. As the limits to domestic resource mobilisation through expropriation became apparent, it was essential that the regime gain control over the economic processes in order not to jeopardize the entire programme of agrarian transition. Control over the accumulation process was achieved through coercive measures of nationalization and sequestration to accelerate the desired economic change. Subsequently priority was accorded to the

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28. This was the dominant rural class. On the role of the Umdah class see: Al Sayeed Marsort, *Egypt's Liberal Experiment* (Berkeley: Univ. of California 1977), pp.26-7.

29. The regime could neither impress the industrial private sector with its blandishments as to accelerate reinvestment within the industrial sector nor could the support it provided to peasant production generate adequate re-investable surplus.
development of productive infrastructures which supported production on which social surplus was based. In line with the widened economic functions of the government, the public bureaucracy expanded and correspondingly its leverage on the fiscal process.

The changed emphasis, in the development strategy was pivoted on the High Dam project with its cross-sectoral multiple benefits. The enormous capital requirements of the project and external economies could only be mobilised by supplementing, domestic resources with externally mobilised funds by the State. However, the limits to domestic resource mobilisation and the technological requirements dictated the redefinition of regime's international political alignments in the cold-war era. The political constraints encountered by the regime in mobilising external resources, led to the 'radicalization' of the strategies for resource-mobilisation. In particular the failure to mobilise 'political' rents impelled the regime to capture higher domestic rents through nationalization and sequestration of foreign assets in the domestic rental sectors. Anglo-French aggression to

30. Adherence to positive neutralism enabled the regime to reap financial rewards from the bi-polar cleavages without capitulating to cold war interests of either bloc. The Egyptian state could thereby augment domestic shortfalls in resource mobilisation.
secure restitution of their assets through military means facilitated the redefinition of the 'class struggle' in a national context. Subsequently the development strategy of the regime accommodated the political context and espoused the need for protecting national development against imperialist machination intent on preserving societal dependency. The abortive tripartite military aggression on Egypt\textsuperscript{31} engendered etatist development - the replication of 'seige' within the framework of national production. Under the aegis of the public sector, which widened through nationalization, national accumulation was to be shielded against external depredations. Albeit a political act, initially nationalization was intended to obviate susceptibility of the modernization drive to external influences but in the short run enlarged the resources at the command of the regime.\textsuperscript{32} Diversification of the resource base of public revenue eased the burden on the agricultural sector. The 'seige' character

\textsuperscript{31} After the nationalization the Suez Canal Company the British and French governments sought restitution of their assets through military means. An obliging Israeli government colluded in the military adventure ostensibly to preempt the transfer of its control to 'enemy hands'.

\textsuperscript{32} Increased profit transfers and of duties realised on import requirements of industrial production following nationalization provided the investment capital and inspired the 3 year industrial plan initiated in 1957. See further Charles Issawi, \textit{Egypt in Revolution : An Economic Analysis}, (Oxford : Claredon Press, 1963) p.98.
thrust on the development strategy thereafter intensified the regime's dependence on the politico-military class. The emergent state-capitalist structures was placed under military domination, and allowed the latter to dominate state-society links. A besieged regime used nationalization measures to revise production relations in favour of labour and to coopt an erstwhile private sector working class into the state class in a subordinate relationship. The supercession of the traditional bureaucracy by the new technocratic elements i.e. engineers, in the policy process coincided with the emphasises placed on economic and technological aspects of national accumulation\textsuperscript{33} and temporarily wedded the interests of the technocracy and the political elites. As the public sector was designated a lead role in the accumulation process clientized fractions of the military\textsuperscript{34} were

\textsuperscript{33} Emphasis placed on economic and technological aspects of national development meant the premium placed on old liberal professions that was closely allied with the ancien regime had to be at a minimum. For detailed elaboration of the social repercussions of the development strategies of the regime, See further: Ayubi, n.21, p.342ff. Vatikiotis, 'Some Political Consequences of the 1952 Revolution in Egypt' in P.N.Holt ed., Political and Social Change in Modern Egypt (London: OUP, 1968) p.373.

\textsuperscript{34} Recruitment of public sector elites was conditioned to loyalty to regime than expertise before official guidelines to that effect were announced in 1966. Refer Robert Mabro and Sami Radwan 'The Industrialization of Egypt 1939-1973' Policy and Performance (London : Oxford Univ. Press 1976) p.69. Also see Nazmi Abdullah 'Egypt's Absorptive Capacity During 1960-1972', \textit{Inter-}
deployed over it. Ostensibly to protect the developmental programme against external machinations, the extension of the standard function of the military class into the economic sphere facilitated the institution of a command structure over the economy via comprehensive planning. While the productive forces were effectively conscripted\textsuperscript{35} for extraction of surplus-value, intra-elite struggles was decisive to the performance of the State dominated economy.

Extra-Economic Deformation of Capital

The clientization that followed the development of political institutions with close links to the economic structure allowed intra-elite struggles to be replicated within inter-institutional/ministerial competition. As productive units were organized into public holdings under the supervision of Ministries, fiscal priorities typified the inter-ministerial rivalries. Fiscal politics therefore tended to be intra-class i.e. among State-class. Moreover, as the ruling oligarchy was mostly recruited from the State class, - military and technocratic elements of civil institutions, the nature of contestation over policy formulation

...Continued...


35. Since the beginning of the century labour unrest vitiated industrial relations.
was defined by this axis. Numerical superiority\(^{36}\) tended to confer an advantage on the military in the formulation stage while the perception and implementation by the civilian counterpart tended to be decisive in realizing policy objectives.\(^{37}\) The constraining capacity of the bureaucracy was partly facilitated by the widening economic function of the State and of the failure of the regime to undertake retrenchment within its elite cadre as was undertaken with the erstwhile political class. This preserved the status quo within the bureaucracy, particularly, the dominance of bourgeoisie interests replicated over the upper crust of state institutions.\(^{38}\) As the Nasserite regime created bureaucratic channels to elite recruitment the ancien regime-could subvert policy dispensations that threatened its interests through its proteges in the bureaucracy whose plausible strength encompasses those public sector managers

\(^{36}\) Hinnebusch, n.l9, pp.93ff.


\(^{38}\) By taking over these erstwhile private enterprises the state converted them into public units while the "management was not seriously reformed or imbued with public spirit" as indicated by Ayubi. See: N. Ayubi, 'From State Socialism to Controlled Commercialism : the Emergence of Egypt's Open Door Policy', *Journal of Commonwealth and Comparative Politics*, (London) vol.20 no.3, pp.264-285.
(31% of total in 1974) who commenced their careers in pre-nationalization private enterprise.39

Economic development did not receive adequate momentum from the authoritarian control of the polity nor from the command structure over the economy which facilitated state control over use of societal resources. Competition among the elites hindered policy coordination crucial under planned development. As the State assumed wider economic functions intra-elite competition was intensified. Collegial leadership of the RCC resulted in the re-creation of a quasi-feudal power structure in the public institutions of post revolutionary Egypt, in which, personalities and personality conflicts shaped fiscal decisions. Though development was a primary objective political management of patron-client relationship defined the approach to development administration.

The manifest heterogeneity of interests within the ruling coalition constrained the realisation of the benefits

39. Granted that bureaucrats participate in the decision-making as experts on particular subjects or representative of national or government interests and sometimes as spokesman though not exclusively of their own private and organizational interests the lag in land distribution under the land reforms highlights the constraining influence of the state class to policy realisation. See, N.Ayubi, 'Etatism Versus Privatization: The Case of the Public Sector in Egypt', *International Rev. of Administrative Sciences* (London) vol.56, 1990, pp.89-103.
of comprehensive planning adopted for the economy. As productive units were organized into public holding companies under supervision of ministries, most ministries thereby had economic functions. The ensuing inter-ministerial competition for steering development was a replica of intra-elite rivalries. Comprehensive planning, accentuated the rivalries within the ruling oligarchy. Primacy accorded industrialization led to the creation of a Ministry of Industry in 1956. The appointment of non-military headship and the enhanced role designated to it after the wave of nationalization kindled the antagonistic interests within the ruling elite. Efforts to undermine the Ministry were initiated and resulted in the creation of two organizations to compete rather than complement its functions.40

In the absence of formalized hierarchical authority within the ruling oligarchy the collegial leadership structure restrained the elevation of the Ministry of Planning in conformity with priority accorded to planned development.

40. Within the 'Economic Organization' and 'National Planning Committee' constituted in 1957 and headed by Free Officers, the personal rivalries were institutionalized. With the adoption of comprehensive planning, the Ministry of Finance entered into the fray and competition was not restricted to the capital expenditure but also to the recurrent expenditure. See: Waterbury, n.9 pp.69-71. For the Nature of institutional rivalries over budgeting in planning process See: Naomi Caiden and A. Wildavsky; Planning and Budgeting in Poor Countries (New York: John Wiley 1974), p.240.
Consequently, planning effort was avoidably uncoordinated and conflicts arose among ministries. Political management of 'patron-client' relations preempted the autonomy of the Planning Ministry. The planning process was therefore vulnerable to divergences, contestation and competition of entrenched interests within the collegial leadership. This predisposed economic planning towards decentralized decision-making in accord with power realities in the state. In effect comprehensive (macro-economic) planning was hedged with sectoral (micro) planning limiting benefits to the aggregate economy. The influence of the Planning Ministry over sectoral plans was minimal as respective ministries did not abdicate perceived responsibility.

Given the prominence accorded to the allocative function of planned development in consolidating the emergent public sector, the elaboration of investment programme on public works provided visible evidences of governmental activity and kindled personal ambitions to steer such achievements. In the absence of coordination within the ruling oligarchy allocative benefits were competitively


42. Instances of resistance to Ministry of Planning efforts to synchronize investments are detailed. See Waterbury, n.9 p.88.

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contested and distributive burdens vigorously resisted. Intra-elite rivalries made comprehensive planning impossible and irrelevant to the economic process. Consequently the public sector developed separately from the planning machinery. Economic change and performance under state-led development was thus amenable to the fiscal measures and indirectly to contestation within ruling elite.

As intra-elite competition marginalised the role of comprehensive planning in the accumulation process, the reproductive capacity of the economy became dependent on micro planning. However as sectoral investment elaboration were influenced more by social rather than economic and financial profitability the pervasive recurrent capital deficits of the public sector intensified inter-ministerial competition in the allocation of fiscal revenues. Allocative autonomy within the context of micro-planning conferred by collegial leadership framework bolstered parochial appropriation than corporate accumulation. Moreover, the polyarchic structure of fiscal decision-making dictated by intra-elite rivalry thereby inhibited self reliance. In the absence of rational and efficient resource - mix pattern the public sector exerted a burden on the fiscal process.

The organizational structure of public sector under supervision and control of ministries subjected the perform-
ance of the state monopoly sector to power relations within the state structure. The lack of coordination among the ruling elites resulted in the failure to develop inter and intra sectoral linkages within the state sector and the import - substituting framework of production was maintained. The broadening of the industrial structure facilitated by micro-planning was therefore not accompanied by its deepening and this explains the crisis of non-accumulation in capital goods sector. The structure of national production was an incentive for using political clout to ensure adoption of distortionary and, uncoordinated measures which further impeded efficiency in factor - mix. Through trade restrictive measures the state monopoly sector insured a captive domestic market which was neither converted to cost-competitiveness in export markets nor could it achieve self-reliance due to weak domestic linkages. The inefficiencies of public production mode resulted in persistent commodity and capital deficits and due to weak linkages in industry the productive process relied on imported intermediate and capital goods to sustain it. Because of the intra-elite competition the divergent objectives incorporated within micro-planning had a high recurrent costs on the budget for defraying operating deficits of public sector firms. As the law of "survival of the fittest" was prevented from operat-
ing in the national economy there was no incentive for adopting efficient techniques in production. Competition observed among elites\textsuperscript{43} increasingly centered around organizational or political - infighting over distribution rather than sound searches for new revenues to lower costs. Besides playing a parasitic role on the budget and economy at large, the structure of the state monopoly sector shaped by intra-elite rivalry did not create external economies and the macro-economy suffered what appeared as 'wastes of imperfect competition'.

Heterogeneous interests within the ruling oligarchy resulted in the foisting of divergent micro-economic objectives that constituted a major constraint in enlarging fiscal resources adequately to cover expenditures. Diseconomies associated with the framework of public production manifested in expenditures outstripping revenues at micro and macro levels. By encouraging the application of political criteria in resource allocation the regenerative capacity of the state monopoly sector hinged on the availability of external finance. Foreign economic assistance, mostly from the Soviet bloc,\textsuperscript{44} concentrated in sectors of high

\begin{itemize}
  \item \textsuperscript{43} Ichimura, n.1, p.13.
  \item \textsuperscript{44} Aid from western sources declined but trade did not take similar pattern.
\end{itemize}
political profitability. Stimulus provided for expansion of the domestic consumer market for manufactured goods of the public sector was a constraint in boosting exports as to ensure that foreign capital invested in the economy was self-servicing. The burden of meeting the annuities on these credits was borne by the export oriented sector - agriculture. Furthermore, Soviet-bloc assistance tended to induce micro and macro diseconomies and skewed sectoral benefits as will be evident.

In the agricultural sector as in industry the barter arrangements imparted diseconomies in factor employment. Within the developmental goals of agrarian transition, state intervention emphasized cotton-production for export to meet capital import requirements of industry and annuities on East-bloc credits. Primacy accorded to cotton production was at enormous economic cost and may have been linked with growth in food deficit. Alleviating domestic supply constraints through imports was not conducive to self-

45. Agricultural performance was influenced by the overall development strategy particularly the priority emphasised for the sector in the area of resource - mobilisation rather than allocative-efficiency.

sufficiency in food. Expansion in food imports diminished the ability to import capital goods and raw materials requirements of the import-substituting industrial sector. Subsidy attraction on imported food further eroded domestic savings required for investment.

Of the several interventionist measures in the agricultural sector the implicit taxation policy was the most decisive to sectoral performance. Besides distorting the terms of trade against agriculture and income distribution against agrarian interest the regressive impact of its distribution - skewed benefits against small landholdings.47 These biases imposed limits on the extractable surplus from agriculture and thereby intensified dependence on Soviet assistance in developing the industrial sector within the context of agrarian transition.

The initial extension of nationalization measures over private industry did not proscribe the capitalist efficiency principles on which these units previously operated. To offset the emigration of foreign managerial expertise, nationalization generated a major external economy in the stimulus provided to human capital formation that advanced

the career prospects of the technocratic working class. Subsequently, the erstwhile industrial bourgeoisie became the managerial bourgeoisie in the emergent state sector. As the state monopoly sector took on extra-economic strategic goals its capacity to regenerate surplus was defined and Soviet-bloc assistance assumed growing importance. Despite Soviet assistance the absence of coordination at the policy-making level was decisive in preserving the import-substituting production structure. In the absence of efforts to ensure optimum factor productivity the state monopoly sector required protective trade measures and the government fiscal accounts was deprived the benefit of higher social surplus realizable through economic efficiency. Though mostly oriented towards domestic markets the potential for realising external resources from manufactured exports was circumscribed within the 'Trade Agreement' with East-bloc countries to which the bulk of Egypt’s industrial exports were destined. Subsidy elements on inputs of industrial production were thus bartered away in foreign trade. As the generation of turn-key projects set-up with Soviet-bloc assistance required sustained imports of inputs, public sector

48. Hershlag, n.46; Waterbury n.9, p.127.
inefficiency was most visible in the trade lag.49 In failing to provide a respite for technology lag despite protection offered, the state monopoly sector was externally dependent. Besides being plagued by external dependence for technology and finance development assistance from the East-bloc mostly channeled into the State monopoly sector subserved strategic rather their economic goals of both donor-state and recipient. Egyptian drive for self-sufficiency toward off vulnerabilities to imperialist designs was co-terminal with Soviet global strategic concerns as structural links built on this convergence brought asymmetrical dependence to bilateral economic relations.

Distortions induced by absorbing Soviet-bloc assistance was politically expedient as it reinforced etatist strategies and thereby the 'class structure' within the social formation. This short-run political expendiency undermined medium and long term economic viability as the crisis of the state reverberated in the accumulation process. The widened economic function of the state bloated the public bureaucracy moreso as the state sector was designated 'strategic' objectives. Impetus provided by the latter caused a rise in employment and this had the effect of boosting recurrent

expenditure of the public sector. Growth in the wage component of current expenditure was at the cost of capital investment moreso as it was unmatched by measures to improve labour productivity. Growth in public employment and administrative overheads were linked with the creation of specific 'property rights' over public resources by the state when it decreed guaranteed employment for all graduates which had the backward linkage effect of encouraging indiscriminate human capital-formation. While it restrained enhancement of wages in the public sector. It also diminished the possibility of resource mobilisation through revision of personal income tax. As the state sector required higher recurrent outlays to sustain it, intra-elite rivalries assumed the form of competition for current revenues to cover recurrent sectoral expenditures - the growth of which was at the cost of expansion in national capital assets. Demands for higher allocation to meet the twin needs of 'protecting' and 'promoting' the state-capitalist seige edifice was espoused respectively by the military and the civilian segments of the ruling elite. The rivalry triggered by these demands led to attempts by both to gain control of the state rather than remain coopted within it. Ultimately the capacity of the ruling alliance to maintain a wider alliance in society was severely constrained by the factionalization of the ruling
elite. Contestation within the authoritarian state structures was therefore a major impediment in optimising benefits of the command structure over the economy. This crisis of the state was imparted on the accumulation process. Its effect was to limit political returns available for distribution thereby weakening state-society links.

**Withering 'Steering' Resources**

Civil-military rivalry reached its apogee in the post-1967 war. The defeat exacerbated the crisis in state. The credibility of the political class before society suffered and had an adverse effect on state-society links. Incompetence of the military demonstrated by the "capital-loss" to Israel undermined the ideological basis of the 'seige state' and the military prerogative over allocative decisions. The ensuing power re-structuring led to a dilution of leverage of the military in the decision-making process as state technocrats filled the emerging 'vacuums and gaps' in the power structure.

The crisis of accumulation in the state monopoly sector identified with the crisis of state-formation showed that

50. Shakrullah, n.5, p.56.


52. Ayubi, n.20, p.476.
state capitalist strategies pursued under collegial leadership failed to reverse Egypt's dependency. A new basis for legitimating the regime and state therefore seemed necessary particularly in the aftermath of the 1967 war when the radical agenda of development nationalism was subjected to virulent attacks from forces which sought a redefinition of national priorities. Fissures within the regime magnified and, factionalized the elite core. Given the improbable option of retrenchment, the imperative of sustaining the developmental momentum led to the reconstitution and realignment of organized interests within the policy process. Accordingly, the developmental strategy was redefined to reflect the objective economic situation and power realities in the state.

Charismatic endowments allowed the president to encapsulate the refined state-society links within the 'March 30 Program'. In the new bargain between the state and the emergent resourceful societal strata, the ruling alliance


55. This approximates a 'statement of intent' to liberalise and reform the state. See further: Waterbury, n.9, pp.330-31 and Fouad Ajami; 'The Open Door Economy: Its Roots and Welfare Consequences', in Abdel Khalek and Tignor ed.; n.8 p.477 and Sadat n.25, p.195.
was reconstituted to broaden the social coalition base. Indicative of the regime's inability to distribute the burden of development equitably, the new 'social contract' incorporated short-term economic palliatives that subserved political goals but aggravated the fiscal crisis of the State. Inclusive populism and charismatic endowment provided a reprieve for the State that did not endure Nasser's exit. Subsequently the forces advocating change were consolidated.

De-localization of Capital Formation

Changes in state-society links formalized within the 'March 30 Program' received additional boost from transformations in the state-form that followed leadership succession. The enabling policy was couched in the 'October Working Paper' which proclaimed Infitah - Open door economic policy - as a public policy agenda. A substantial degree of liberalization was undertaken in the economy concurrently with gradual restructuring of political and associational life. Liberalization was conceived as a panacea to all the structural problems of the political economy. It was not envisaged that liberalization would dilute authoritarian domination which infact was reinforced by shifting the locus of decision-making to the President. Its apparent objective was to coopt and thereby constrict emergent and articulate
societal forces within formal institutions for legitimating the change. Though the fiscal crisis of the state provided a rationale for changes\textsuperscript{56} however, the immediate political context of leadership succession delineated the options for resolving the resource deficits. Additional limits were imposed by the pervasive economic stagnation which constrained resource mobilisation from societal sections. Given the immediacy of bridging the shortage in societal demand for commodities in the post-1973 war arising from domestic supply rigidities, the social time preference of external assistance was estimated higher than both the financial costs of capital and, the domestic alternative of demand management or structural adjustment. The 'soft' option placed borrowed resources at Egypt's disposal but was also accompanied by policy reorientations. The ensuing changes in domestic and external structural realignments had repercussions for the macro-economy.

Hitherto, the performance of the state monopoly sector hinged on Soviet-bloc assistance which contracted in the early 1970's. The adverse effect of this was felt in the

\textsuperscript{56} The shortcomings of the collegial framework of decision making \textit{vis-a-vis} development performance that led to the institutionalization of Presidentialism also made the President the addressee of societal demands for public goods.
public sector. In the short-term it induced shifts in sourcing societal commodity requirements away from productive public sector, besides questioning the producer-function of the state. The thaw in Soviet-Egyptian relations was a spin-off of the strategic parity in super-power relations which had depreciated the strategic value of 'client states' of the super powers. As the state elites realised Egypt's diminished status which was reflected in the diminution of Soviet aid they were prompted to abrogate unilaterally the "Trade Agreement" under which economic exchange was undertaken by barter. In the absence of barter mode of exchange the Egyptian foreign trade was adversely affected. The Egyptian state elites reshaped domestic and external alignments, as part of adjustment of national development within the global structure, ostensibly, to mobilise external rents necessary for relieving the resource deficit. The


58. Hitherto, Egypt enjoyed positive balance in the trade account with these partners. However, this was inadequate to offset the recurrent deficit in trade with the developed market economies. See John Waterbury, 'The "Soft State" and the Open Door: Egypt's Experience with Economic Liberalization, 1974-1984', Comparative Politics Vol.18, no.1, October 1985, pp.65-83.

political realignments widened the scope for rental incomes
in augmenting capital deficits of the state.

De-ideologization of development

The crisis in the accumulation process induced by
politically-determined allocative 'efficiency' repudiated
the preservation of the framework of decision making and of
national production. Changes undertaken in this regard
resulted in a shift in the loci of decision-making which
brought about the proscription of collegial executive system
but did not result in popular participation in the policy
process as to resolve the endemic problem of political
underdevelopment.60 The apparent incompatibility of radical
developmental nationalism with the objectives of the new
dispensation led to the retrenchment within the policy-
making elite of dominant class fractions, mainly the mili-
tary, ascendant under the previous development strategy.

60. The stability of the collegial Executive system was
pivoted on the charismatic endowments of Nasser. Howev-
er, Nasser's legitimacy across societal sections was
imprinted on the Presidency than on any other major
institutions of the state and as a result the legitima-
cy of the political structure was narrow and could not
survive his departure. The weakness of the political
system has been analysed among others by Hinnesbusch
n.18, p.14. Dekhmeijan, Egypt Under Nasser A Study in
Political Dynamics (London : Univ. of London, 1972)
pp.4-9; Entellis "Nasser's Egypt The Failure of Charis-
matic Leadership" Orbis (Philadephea) vol.28, pp.451-
64.
Revolutionary credential as a basis of socio-political mobility was further devalued when the President dissolved public agencies which enjoyed sectoral monopolies and thereby conferred enormous economic and political clout on the managerial elites of the public sector. Liquidation of 'power centres' was accompanied by civilianization of the elite core constituted within the cabinet\textsuperscript{61} which replaced the RCC. The political vacuum created by de-politicization and marginalization of the military was filled by reconstituting broad societal groups within syndical structures.\textsuperscript{62}

This involved quasi-regimentation of different interests in society along professional corps under 'cronies' appointed and randomly coopted by the President into authoritarian structures of the state. Recruitment into the core policy-making elite from within a distillated political infrastructure accorded with the changed socio-economic ecology. However, the institutionalization of interest articulation merely facilitated cooptation of emergent socio-economic forces engendered by the new development orientation and the semblance of popular participation in the policy process was

\textsuperscript{61} Hinnebusch, n.19, pp.99-110.

cosmetic and only referrendal as the patriarchial disposition of the President defined public policy.

As the domination of the President resulted in the transformation in the Egyptian political economy from which new institutions emerged including Presidentialism, the president was averse to any kind of pressures or constraints to autonomy of the state. Presidential prerogatives in elite recruitment with its upper crust bias, limited the recruitment pool and assured personalized politics. The semblance of popular participation that appeared in the form of functional representative institution had a narrow social base and the tenous solidarity within made it liable to Presidential intervention. Notwithstanding the de-radicalization of the elite core, the heterogenous interests of the new elite appeared to induce stasis in the policy process. Therefore, institutionalization of interest articulation gave little discretion to the political class who were marginalised in policy formulation. It is noted that despite the pre-eminence of the President in the system, the impact of economic policy was limited as the "weak coordination and direction greatly reduced the effectiveness of his direc-

63. ibid., p.90ff.
Consequently public policy especially fiscal policy, tended to be designed to assuage political exigencies at costs to the aggregate economy. It is obvious that the framework of policy-making under executive presidentialism did not favour autonomous growth. Given the pervasive nature of domestic crisis that preceded leadership succession, the mobilisation of exogenous resources were to be crucial for resolving the problems in the accumulation process. Adjustment strategies adopted to facilitate the inflow of these resources mainly rents, were structured to preserve authoritarian state structure which resulted in the reconstitution of the allocative circuit for absorbing these resources. The changed development orientation engendered new realignments at three distinct levels: intra-state (the military and the civilian state class); state-society comprising those coopted as new state-centred interests -

65. ibid.
66. ibid., p.18.
different classes, strata and associations); and the state-extra state (the dominant actors in the global political economy). The trade-off inscribed in the external alignment was the partial dismantling of the subsistence redoubts of the economy which however fell short of facilitating the domination of private agents in the domestic market. As the domestic alliance was nurtured by the allocation of rents, the hegemony of the state was secured. With the legitimacy of the state resting on redistributive and less on production functions, the patriarchal disposition of the president thrust the responsibility of regenerating authority based on allocative 'efficacy' on the bureaucratic elites, as the implementing agency of public policy.

Regulated Liberalization

Under the changed dispensation the centrality of the administrative class to policy process was preserved. Because of the authoritarian disposition of the President the contribution of the political class to policy process was marginal and as a result the bureaucratic elites were coopted and consulted in the delineation of options and elaboration of various tools of implementing public policy. This led to the appointment of a new team of managers mostly with

68. The alliance substituted for the Nasserite coalition of 'Alliance of Popular Working Force'.
economic and management training over public institutions thereby designating specialized expertise as preferential avenues to elite recruitment.\textsuperscript{69} This had repercussions for the structure of hegemony within the state class and also interactions among public agencies.\textsuperscript{70}

Having emerged as a powerful constituency in the policy process, the new policy dispensation was also a cause for factionalization of the state class elites. As the "opening" envisaged new partnership with foreign capital, the form of the linkage became a contentious issue. This brought about a marked schism between the bourgeoisie fraction seeking what approximates a compradorial relationship and at the other extreme the "national" with or deregistist interests which preferred collaborative links and emphasised a 'productive infitah' as against a consumption oriented opening. As bureaucratic elites straddled the three levels of realignments initiated as part of the adjustment process the polarisation within the ranks influenced the interactions within the alliances. This division within the state preempted the emergence of a bureaucratic "hard" state while the bureau-

\textsuperscript{69} Hinnebusch, n.19, pp.100-1.

\textsuperscript{70} Subsequently, the significance of the Ministry of Industry was superceded by other Ministries as it was excluded from the 'Economic Group' - an interministerial committee which was at the core of economic decision-making in the cabinet.
ocratic channel remained a favoured path to ministerial appointment.\textsuperscript{71}

The trade-off between the President and the bureaucratic elites reinforced their symmetrical dependence. Dependence on the administrative class rather than the political infrastructure for statizing society allowed the President to show contempt for the political class. The modicum of support was exchanged for enlargement of the bureaucracy despite the stated objective of rolling-back the economic functions of the state thereby restraining the development of market forces. Having risen through the bureaucracy and public sector it proved difficult for the Ministerial designees to restructure the framework of the economy without infringing interest of their ilks. Consequently these favoured professional corp insulated their compatriots against the retrenchment and reform required under the changed orientation. Their positions were consolidated by the encouragement given to "defensive" postures against un-regulated liberalization. As a consequence of juxtaposition between changing realities and unchanging structure, the bureaucratic elites maximised individual advantages from

\footnote{71. Hinnebusch, n.19, p.105: Ayubi, n.20, p.395.}
their fortuitous public positions. Constraints emanating from dirigist interests may have responsible for the 're-regulation', rather that de-regulation, of capital formation.

Despite the growing clout of bureaucratic elites within the Cabinet it did not emerge as a formidable organized opposition to Presidential authority but rather ensured the latter's domination of state-society links. Deadlock induced by competition among elites within the framework of decision-making consolidated Presidentialism and the President emerged as the arbiter within the contrived structures that formalized links between state and society. In the absence of legal-structural encumbrances, the President redefined the rules of political participation within personalized politics and this accounted for the periodic reconstitution of the cabinet.


73. Presidentialism foreclosed overt institutional or popular opposition and the President intermittently dissolved, divided and even, reattached Ministries with ease.

74. Article 157 of the 1971 constitution designated Ministers as supreme administrators and directors of their respective ministries however it did not specify the nature of each ministry and therefore allowed a great deal of discretion to the President to delineate jurisdictions periodically among ministries and to substi-
Organizational instability that resulted from frequent cabinet reshuffles had direct consequences on policy options and indirectly on effectiveness of policy measures. Every ministerial change was followed by new rules and regulations that redefined relationships between ministers of the respective ministries. Duplication and overlapping functions were observed, to have accentuated the competition among ministries. At the respective ministries new designees became occupied with reviewing specializations and functions, and also of policies and procedures. Negative repercussions became apparent in loss of clarity, consistency and coordination in policies. Moreover, deadlock in interministerial bargaining within the cabinet led to rapid and contradistincting policies which were hardly conducive to capitalization in the economy thereby reinforcing adhocism. In the unstable policy environment created by rapid turnover of policy-making elites, economic policy and performance were amenable to instability in the framework of policy-

...Continued...


75. ibid., p.280.

76. ibid.
making. The adhoc nature of policies inclined more towards political rather than economic goals. Under such circumstances production planning, coveted despite the shortcomings during the Nasserist regime, was not possible. As planning required, besides political stability, a long gestation period it was relegated in the new developmental strategy in bridging the resource deficit. In the absence of production planning or demand management, economic policy was defined by political feasibility. Foreign capital of the kind placed at Egypt's disposal may have been liked to the structural constraints to productive investment and therefore, could not eliminate the commodity deficit on a self-sustaining basis.

Rearticulation of Dependence

The coincidence of rental income inflow and deteriorating economic profitability of public sector, was accompanied by the dilution of the leverage of the productive manufacturing public sector elites over fiscal decisions. The declining profitability partially caused the re-orienting of

77. The number of reshuffles in economic ministries between 1970 and 1981 was as follows: - Economy 9; Supplies 9; Planning 6; Finance 7. Often times three ministries out of the Economic Group were managed by a single minister with the declared purpose of coordinating them. See further, Qandil. ibid, p.281 ff and Hinnesbusch, n.19, p.88.
allocative priorities away from productive investments. This further encouraged the augmentation of domestic commodity deficit with imports. Allocation of exogenous rents for this purpose was politically determined. Fluctuations associated with these resources allowed for the inscription of power relations within the allocative formula. As immediate pressures often, of a political nature, overrode other considerations it was difficult to take a long term view of the economy.

Following the realignments in the state, economic decisions were determined by an exclusive group. Within the cabinet the 'Economic Group' an interministerial committee comprising four Ministers of the Economy, Finance, Supply and Planning, emerged as a quasi-alliance that influenced the shape of all economic policies in theory at least. This group, however, was rendered unstable both by the competitive interests of its members as by the periodic cabinet reshuffles by the President that was also followed by reallocation of functions. Representation accorded to Planning Ministry within the Economic Group and the elevation of its

78. The political factors which influenced allocation of publically - mobilised rental resources towards private consumption also identified the latter as major source of tax resource in lieu of domestic productive sectors.
headship to Deputy Premiership was not accompanied by formal and practical elevation of the role of production planning in the development strategy. The abolition of 'Pricing Agency' and the lack of special authority over ministries in the field of direction, follow up and control marginalised its role in the economic processes. In lieu of comprehensive plans, the annual State budget functioned as the major tool of direction in this economic system. The significance of exogenously influenced sectors in government revenue mobilisation caused an irreversible dependence on external sources given the inelasticity of expanding domestic resources from productive activities in the short term. This resulted in a vesting of interests among the Ministries belonging to the Economic Group in the preservation of the structure of fiscal revenue base. In this regard the interest of the Finance and Economy ministries converged, and occasionally also the Ministry of Supply whose executive and service functions was to meet society's commodity needs with both domestic production and imports. This cleavage within the Economic group nurtured by rental incomes predominated.


80. ibid.
the interest of the Planning Ministry which championed the cause of domestic production and particularly of public sector. Changing structure of government fiscal revenue away from domestic productive sector appeared to have weakened the leverage of the Planning Ministry vis-a-vis the 'triangular alliance'. The allocative effect was the prioritisation of fiscal policies including expenditures away from direct productive sectors. As a result, production centred-interests were disadvantageously placed in the fiscal policy process. The resource-mix pattern fostered an alliance with societal forces that wedded interests of the bourgeoisie class with those of the concerned Ministries. Rapid turnover of Ministerial elites reinforced the links between dominant state-centered interests and ascendant societal groups, as it is observed that after resignation ex-political appointees in the Economic and Finance Ministries engaged actively in bourgeois activities in industrial and financial business. 81

The political and economic ambience in post-liberalisation Egypt that allowed the emergence of interest groups enabled ex-political designees to utilise their political and economic clout for dominating the exclusively

elitist economic interest groups. As political post appeared to have endowed the holders with opportunities to accumulate wealth and to establish power base which hitherto was not available to them, these former political elites sought to preserve the existing conditions which aided their private accumulation. In seeking to restrain changes in the status quo their interest co-terminated with those of the bourgeois fraction of the bureaucratic elites and both tended purposely to align. Interest groups adopted covert non-political strategies to preserve and promote their groups' economic advantages. The clout of the leadership of these associations which traversed the political and administrative landscape appeared in the form of a veto exercised to restrain the adoption or implementation of policies perceived inimical to private accumulation. Significantly these interest groups were inducted within consultative groups of ministerial and parliamentary Committees wherein they articulated their group interest.


83. The constraining capacity of this quasi-alliance has been illustrated by some observers particularly in the implementation of the Ministerial Decree no. 119 of 1978 which sought to limit profits of retailers on imported goods. See Qandil, n.81, pp.80ff and; ibid., pp.148-9.

84. Zaalouk, n.82, p.147.
Primacy of rental incomes in government fiscal accounts imposed on the state the responsibility of mobilising external resources. The dominant forces in the framework of economic policy-making thereby shared with the ascendant domestic economic agents the fostering of external links with hegemonic global capital on a dependent basis. Reprioritisation of fiscal allocation away from domestic productive sectors resulted in the inversion of primitive accumulation through external dependence for commodity requirements, especially for wage goods. This allowed commercial activities of the bourgeoisie to buoy which while fulfilling the 'function' of global capital placed this compradorial class in the lower ladder of global bourgeoisie hierarchy. The wider aspect of the dependency relations of the domestic bourgeoisie is the access points provided to foreign economic and political influence to policy content at the micro and macro-levels. Moreover, the growth stimulus imparted on the aggregate economy by the bourgeois activities precludes autocentric development. While national accumulation was dependent on global bourgeois economy the functions of the native compradorial class in capital formation is associated with growing social differentiation and underdevelopment and

85. Ibid., p.144.
has resulted in what Samir Amin characterized as the 'disarticulation' of the economic structure accompanied by the 'mutilation' of the social structure. 86

Notwithstanding the increased dependence on rentier incomes and the relative diminution of the share of social surplus derived from productive sectors, the economic and demographic weight of the public sector made it an instrument for redirection envisaged with infitah moreso, as private sector activity developed parasitic leanings on it. Despite its economic and financial shortcomings it was politically inexpedient to adopt radical reform measures for the public sector as the government was not inclined to loose a major steering instrument over society. Through relatively passive policies to preserve the framework of public production, and active promotion of private enterprise, the widening divergence between public good and private gains weakened state's steering capacity over society. The marked skewed incidence of public policy reached a precipitate level with the food riots of 1977 when the masses revolted against unpopular measures introduced. This event sufficed to prompt a re-examination of the framework

86. Samir Amin, Accumulation on a World Scale: A Critique of Underdevelopment vol.1 p.262 cited in Zaalouk, n.82, p.119.
of national accumulation with a view of regaining control over its direction.

The creed of 'Democratic Socialism' enunciated with the reinstitution of planned development in 1978 was an affirmation of the state's intent to address the anomalies ushered by the liberalization programme. Restitution of Economic Planning consolidated the position of the bureaucratic elites but this was hardly a reward for efficient management of the economy. Despite its influence over policy formulation under Presidentialism the limitations of the bureaucracy was apparent in the sphere of policy implementation. The position of bureaucratic elites in the power structure was bolstered by the numerous inter-governmental developmental assistance programme available as well as the clearing-house function for new private investments. In the latter function, ineptitude was demonstrated by the failure to positively correlate rising private consumption with national accumulation.

The nature of realignment with state-centered interests i.e. societal groups and, extra-state actors resulted in the failure of the economic-opening to induce fundamental changes in the economic structure which manifested in the persistent resource deficits mainly in the fiscal accounts and external sector. The disequilibrium caused by exposing
government fiscal accounts to external influences also generated external pressures for rectification of the perverted growth structure. Imbalances in the external sector were not remedied by policy measures as sectional interests were advanced at social cost. Bourgeois elements within and outside state institutions were committed to the preservation of semi-rentier structure, and aligned, to advance micro (sectoral) interests while the structure of the economy remained distorted. Susceptibilities of fiscal resources of the state to exogenous forces impinged on the development process. Moreover the absence of strategies to improve resources mobilised from productive sectors when the size of exogenous incomes grew undermined autonomy of the state over allocative decisions given the conditionalities attached to concessional capital which bridged the resource deficit of the state.

Fiscal Politics in Retrospect

Within the transformation in the Egyptian political economy the framework of economic policy-making was conducted by a succession of oligarchic coalitions. The elitist character of recruitment into the decision-making body did not provide adequate impetus for harmonization of economic interests as to induce stability in the policy environment. The collegial leadership structure of the Nasserite regime
was an impediment to the realisation of goals of the regime as it encouraged intra-elite competition that resulted in the replication of influence and interests on public institutions. Fiscal policy was amenable to changes in power relations in the state. Within the authoritarian state-structure fiscal politics was a replication of intra-state-class competition. Through extensive networking in the economy the political elites engineered the emergence and consolidation of state-centred interests which influenced distributive and allocative decisions. The imperative of state domination of society inscribed within the structure of public finance also defined the regenerative capacity of the economy. The nature of social control over policy defined the efficacy of fiscal instruments. This chapter has thus illustrated the link between the crisis of the state-formation, as reflected in the degeneration of the framework of decision-making, in the critical area of fiscal policy, and the constraining effect in adopting and realizing optimal macro-economic benefits.

The apparent disproportionate leverage of societal interests within the framework of decision-making rendered the Nasserite state liable to two kinds of crises: political and economic, which were inextricably linked. It has been shown from a political point of view that the state was
vulnerable to pressures from above and below. In regard to the former, the crisis of dominance manifested in the stall­ing of the policy-process during intra-elite bargaining. On the other hand, the crisis of marginalisation identified from below arose from dwindling 'political returns' for allocation, was linked with the stalemate in elite bargain­ing that resulted in the adoption of policies that were not economically rational. To compensate for the exclusivist elitism and mass marginalisation in the policy process, for achieving cross-sectional legitimacy required the mainte­nance of social equilibrium achieved through sustained populist measures at enormous economic cost. Simultaneous­ly, convergence of elite interest was realised by restrain­ing expansion of distributive burdens thrust on them. Legit­imation was therefore secured at the cost of national accu­mulation.

It appears that the legitimation needs of an exclusiv­ist policy-framework was apportioned the bulk of allocation over the developmental requirements. Whereas the logic of development imposed the necessity of distributing burdens equitably, unequal representation within the ruling oligarchy however hindered equitable distribution. As domi­nant interests limited their share of development burden, the state was prone to resource-crunch which therefore
facilitated intrusions of global finance. Straddling the multi-segmental linkage is the bureaucratic class especially its upper crust which emerged as a power bloc following the economic and political crisis in the post 1967 war.

Oligarchic structure of decision-making preempted the institutionalization of politics while enabling Nasser to personalize legitimacy in bridging state-society links. The twin needs of leadership and state legitimation over societal sectors achieved through sustained populist measures exhausted available domestic resources to reproduce legitimacy - a situation worsened by Nasser's exit and the lack of charismatic assets in the successor.

The liberalization measures adopted during Sadat's Presidency sought to redress the structural issues of the Egyptian political economy. Far from restructuring the economy for achieving autarkic development it was a state-led policy to realign domestic forces with dominant forces in the global political economy to relieve societal pressures on the regime for commodity requirements. Liberalization entailed not much of a reduced role for the government as in the re-directing of its activities in the accumulation process. Insofar as the state maintained its influence in directing economic change, it implies that the legitimacy of the state rested on maintaining active role in development
process even if it were reduced in directly productive activities.\textsuperscript{87} Despite the emphasised role of private enterprise the fiscal measures were significant to economic performance and this consolidated the role of the bureaucracy in the development process. The regime was however hesitant to privatise the entire process of accumulation as that would have diminished its ability to direct socio-economic change which as observed would be a recipe for 'political suicide'.\textsuperscript{88} The intermediary role of the bureaucracy between private and public mode of accumulation appeared not to have resulted in aggregate gains but skewed benefits to the advantage of private interest.

From the nature of re-direction that was embodied in Infitah it has been demonstrated that Sadat's understanding of Egypt's recurring economic problems stemmed from the degeneration of the framework of policy-making. Retrenchment and reconstitution of the power structure were thus conceived as the panacea to all the economic problems. As a consequence, economic policy was conditioned to political

\textsuperscript{87} This reasoning rests on the aggregate deficits of the dominant public sector which in the least did not provide any economic justification for continued state domination of the economy.

realities that took cognizance of the emergent 'environmental' forces within and without. Democratization of interest articulation conceived as part of political reconstruction facilitated elite recruitment from a syndical structure encompassing crucial economic interests in the state. This resulted in the personalized rather than institutionalized politics. Stalemate within the framework of policy-making induced by diversity of elite interests was both a cause and effect of personalized politics of the President.

In the absence of limits to its authority, Presidentialism permeated the framework of decision-making including decisions of fiscal and financial nature. Although the Appropriations Bill was presented to the Parliament for authorization, distribution of power was non-existent and the legislature had no power of control over the Executive. The formalities disguised the ease with which the Executive could obtain public funds as the budget was adopted hitch-free practically without modifications. Given the periodic need for maintaining socio-political consensus the short-term exigencies on policy-making, precluded the adoption of long-term view and policies akin to development, and the economic structure was relatively unchanged.

The patriarchal disposition of the President was not conducive for 'separation of powers' among the organs of
government. As the President dominated the entire political infrastructure the budget tended to reflect the political program, moreso, as the President preempted bargaining and elaboration of priorities on sound economic criteria within the cabinet and legislature.

Consequently as the loci of decision-making shifted to the Presidency, the role of the state-class (bureaucracy) - became significant as the former relied on it for delineating policy options including regulation of private and national accumulation. However divergent interests of the state-class elite was not conducive to goal realisation. Additionally, the prolonged suspension of the Planning process had reinforced the inclination of the state-class towards compradorial relationship with global forces through local private forces. The mode of abridgement of interests between domestic actors, and, regional and global forces under 'economic opening' could neither lead to restructuring nor self-sustaining development rather, the state was increasingly amenable to pressures from those sources of dependence.

The conditioning of economic policy choices to power realities in the state subjected mobilisation of fiscal resources and national accumulation to exogenous influences. In comparison, whereas the Nasserist regime used state
economic institutions to conscript and preempt societal forces from exercising leverage on fiscal decisions within a monolithic political structure, Sadat applied fiscal tools for preempting interest aggregation both within and outside the contrived institutions of the state. Crucial as the support of the bureaucracy was to developmental strategies of both regimes neither appeared to have successfully converted the bureaucratic apparatchik into an engine of growth. In depending on the state-class both regimes were oblivious of the culture of status-quoism embedded in the cadre that constrained realisation of the development potential. Neither regime could sustain authoritarian state structures without subjecting the fiscal accounts to pressures and inevitably crisis.

With successive policy measures adopted by the post-revolutionary regime geared towards the disarticulation of societal dependency by retrenching the structure of primitive accumulation, the legitimation of the Nasserist regime hinged on economic performance. This was an imperative for the government to define priorities, strategies and control of national accumulation. Despite the centrality of fiscal policy to the economic processes and the realisation of government objectives, the character of fiscal politics subverted, rather than subserve the goals of realising
autonomous development and the state thereby reverted to dependency. The change in the character of fiscal politics that accompanied the inauguration of presidentialism under Sadat was marked by shifts in fiscal priorities away from directly productive sectors towards rentier activities. As state policy thereby actively fostered the re-articulation of the economic processes within global bourgeoisie hierarchy the impetus provided for private appropriation did not impart desirable development consequence on national accumulation but reformed the structure of dependency. Therefore, despite the changes observed in the framework of policy-making in the state during the 1970's, fiscal decisions were still influenced by the internal division and competition within the state class. Shifts observed in the role of the state in the economy may be identified with the changing character of the 'transfer' state and of its strategies for overcoming structural constraints of capitalist development. The social surplus mobilised by the Nasserite state, mainly though not exclusively from productive activities of the "alliance of popular working forces" was allocated among economic sectors using political criteria. Under Sadat, resources from exogenously-influenced sectors were mainly disbursed among societal sections constituted within the allocative circuit using similar criteria. As
short-run political profitability rather than long term economic viability determined the allocative criteria the regenerative capacity of the economy hinged on external support. By using political criteria in the allocation of resources as a reward for coalescing within authoritarian corporatism, national capital remained underdeveloped. Because of the authoritarian disposition of the successive regimes, which resulted in political underdevelopment different fractions of the bureaucratic elites were ascendent and performed the transfer functions of the state. Diseconomies associated with the allocative principles of public finance inhibited progression within global capitalist hierarchy.