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Khan, Haider A.

University of Denver

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## Human Development and Capabilities in MENA Economies with Special Emphasis on Egypt\*

Haider A. Khan

JKSIS, University of Denver

 hkhan@du.edu

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## Abstract:

The critical assessment of human development and capabilities exercise in MENA includes the following areas for achieving capabilities enhancement (i) *Macroeconomic framework component*: Analysis of the evolution and nature of macroeconomic policies and their inter-relationships with trade policy and their effects on MDGs and human development; (ii) *Fiscal component*, the effects of trade reform and policies on the fiscal position of the countries and its relation with MDGs' expenditures needs and potential constraining effect on the application of flanking policies; (iii) *Institutional component*: assessing institutional capacity and performance of trade- and finance-related institutions in particular and their effect on economic, social and political outcomes; (iv) *Dynamic effects component*, undertaking specific studies to assess spillovers and externalities brought about by various policies, particularly trade, financial and investment policies; and; (v) *Intellectual property rights component* assessing the effects of more stringent protection of IPRs on MDGs and human development indicators. I evaluate critically the neoliberal approach to these aspects of development and capabilities in the MENA region generally and with a special case study of Egypt.

A socially and politically oriented capabilities approach integrates poverty and social impact analysis (PSIA) techniques, economic and technical tools of ex-ante and ex-post assessment, and monitoring and evaluation methodologies in a comprehensive manner. Accordingly, it begins by identifying interested stakeholders and asking questions regarding facilitating and coordinating their participation as well as building institutional arrangements that will assure sustainability of the human development process. A related aspect is the need for documenting and analyzing local historical settings including social and political movements such as those in Egypt. Finally, progress towards collecting data and building a database of relevant indicators, and developing tools of monitoring and evaluation along with the development of the institutional and technical capability of stakeholders are examined within a dynamic historical context of democratization. Building on other experiences of participatory assessment of different policies, the approach I advocate--- besides producing empirical analysis--- is intended to engage all actors involved (government, business, labour, and civil society institutions representing different segments of the population, in particular women) in active participation within a deeply democratic social and political context. Therefore, such efforts require continuous democratic institution building. The revolution in Egypt is evaluated from this socially and politically oriented capabilities perspective.

## 1. INTRODUCTION

This critical assessment of human development and capabilities exercise in MENA includes the following areas for achieving capabilities enhancement (i) *Macroeconomic framework component*: Analysis of the evolution and nature of macroeconomic policies and their inter-relationships with trade policy and their effects on MDGs and human development; (ii) *Fiscal component*, the effects of trade reform and policies on the fiscal position of the countries and its relation with MDGs' expenditures needs and potential constraining effect on the application of flanking policies; (iii) *Institutional component*: assessing institutional capacity and performance of trade- and finance-related institutions in particular and their effect on economic, social and political outcomes; (iv) *Dynamic effects component*, undertaking specific studies to assess spillovers and externalities brought about by various policies, particularly trade, financial and investment policies; and; (v) *Intellectual property rights component* assessing the effects of more stringent protection of IPRs on MDGs and human development indicators. I evaluate critically the neoliberal approach to these aspects of development and capabilities in the MENA region generally and with a special case study of Egypt.

This paper is organized in three main parts. In the first, theoretical part, I discuss an extension of the capabilities approach to a fully social and political theoretical framework that will be subsequently applied to the Egyptian case study concretely. Amartya Sen's pioneering contributions contra utilitarian welfarism and more recent extensions including the controversial listing issue are discussed in appendix one as part of a partial historical background to capabilities approach.<sup>1</sup> I put particular emphasis on social and political aspects of capabilities both because of their general relevance and also because of their particular relevance to the MENA region in light of recent political and social upheavals, particularly in Egypt which is the special focus here. In the second part of this paper, I discuss a country model approach advocated by Amsden and others by discussing some lessons from the East Asian development experience in creating structures of learning and capabilities enhancement. In the last part, I focus on Egypt after a brief preliminary discussion of the MENA region. The reader who is pressed for time may proceed immediately to the second and third parts.

I focus critically on assessment of human development and capabilities exercise in MENA in the above areas in order to highlight the ambiguities of the neoliberal approach and its real costs for the MENA economies in human capabilities terms. Although the real focus concretely is on Egypt for the most part, many of the assessments carry over to most other MENA economies as

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<sup>1</sup> Major references to the capabilities literature---particularly Sen's pioneering contributions--- are also given separately as references to the appendices at the end. See also in particular about the thin and thick conceptualizations of capabilities--- M. Quizilbash, "Interpreting the Capability Approach: Thin and Thick Views" *Human Rights Defender* 19 (1): March 2010 pp. 5-7. See also the special issue of *Journal of Human Development*, Vol.7, No.3, Nov. 2006 on capabilities and Quizilbash's introduction. Appendix 4 of the present paper shows the links between a fully social concept of capabilities and the building of movements for deep democracy in the MENA region. Also see, Haider A. Khan, *Technology, Development and Democracy*, Edward Elgar, 1998, chs. 6 and 7 in particular and Khan (2003a). *Technology and Modernity: Creating Social Capabilities in a POLIS*. In Misa T ed. *Technology and Modernity*, Cambridge: The MIT Press, Chapter 12.

well. Following the analysis of the Egyptian case here will enable us to pursue the task of building country-specific capabilities evaluation frameworks and models where human development indicators and other indicators of well-being can be analyzed in detail and depth. In this preliminary attempt, I have already found that there are many gaps and misdirected policy commitments, particularly in Egypt but in other countries as well.

My approach integrates poverty and social impact analysis (PSIA) techniques, economic and technical tools of ex-ante and ex-post assessment, and monitoring and evaluation methodologies in a comprehensive approach. Accordingly, it begins by identifying interested stakeholders and asking questions regarding facilitating and coordinating their participation as well as building institutional arrangements that will assure sustainability of the human development process. A related aspect is the need for documenting and analyzing local historical settings. Finally, progress towards collecting data and building a database of relevant indicators, and developing tools of monitoring and evaluation along with the development of the institutional and technical capability of stakeholders are examined. Building on other experiences of participatory assessment of different policies, the approach I advocate, besides producing empirical analysis, is intended to engage all actors involved (government, business, labour, and civil society institutions representing different segments of the population, in particular women) in active participation.

Part I:

## 1. THE ROLE OF A NETWORK OF INSTITUTIONS IN CREATING SOCIAL CAPABILITIES: FREEDOM AS THE DYNAMICS OF SOCIAL CAPABILITIES EMBEDDED IN INSTITUTIONS

From the normative analysis of Sen and others it would appear that a nuanced, broad consequentialism of the sort Sen advocates --- ‘a goal rights system with consequence-based reasoning’---is superior to a narrow deontological view of rights and freedom such as Nozick’s. But the modern Hegel-Marx connections push us further in the direction of a critical assessment of institutions and the need for radical institutional change if necessary. The necessity for such changes is obvious in predatory regimes such as the Pol Pot regime in Cambodia, or Saudi Arabia under its corrupt princes. But a wide range of institutional changes are necessary even in formally democratic regimes such as India, or Bangladesh.

The central point about deepening democracy for capabilities enhancement is that it is a network of institutions, and not just an agenda for piecemeal reforms. Although individual reforms are welcome and to be supported vigorously, a movement for deep democracy must advocate deeper, systemic changes along with the specific reforms that people are fighting for at any given moment. Therefore, the role of the new social and political movements such as the ones in Egypt is, from this perspective, positive and encouraging; but in order to be fully effective, these movements must have a deep democratic agenda and fight for it openly.

The network of social political and economic institutions necessary for promoting such well-being freedoms and agency freedoms as are necessary for the full self-determination can be both historically and culturally specific. However, they must involve the provisioning of adequate amount of resources and safeguards. Along with the constitutionally liberal guarantees of physical safety and freedom from arbitrary coercion, there must be positive guarantees of being able to pursue a political life of citizenship that gives social and political opportunities to

all. In the age of globalization, this implies, ultimately, that nothing short of a global charter of rights for all humans with implementing institutions at both international, national and local levels are called for.

This may seem hopelessly utopian to many. Therefore, let me observe that the strategic positioning of fighting for a global citizenship does not negate the many small, local struggles for extending well-being and agency freedoms, but rather the strategy is predicated upon active participation in whatever capacity it is possible, across the national boundaries in these myriads of ongoing struggles. The more farsighted people in the anti-globalization movements around the globe are already moving in this direction. The positive policy changes from above for promotion of the capabilities of the disadvantaged in particular--- by the International Financial Institutions, developed country governments and developing country governments--- are always welcome developments; however, the partial and limited nature of these policy initiatives need to be recognized. It is also doubtful that without mass democratic movements from below even limited reforms from the above will be forthcoming.

The economic struggles for better wages and working conditions in both domestic and transnational firms are of great significance in the age of globalization. The social capabilities will remain greatly stunted even under conditions of full employment if low wages and dangerous, unhealthy working conditions are the norm. A more radical step which is consistent with the logic of development as freedom is the overcoming of domination in the work place.<sup>2</sup> Such struggles for the overcoming of domination in the work place can then be connected with the broader democratic movements around the world.

The important point that emerges from this perspective is that freedom is positive, concrete and dynamic. It is positive in the sense of alerting us to the need for promoting social capabilities. It is concrete in two senses. One is the concreteness in the identification of specific functionings and capabilities that the 'development as freedom' approach calls for explicitly. The second concrete aspect--- here freedom is finally, a 'concrete universal' in Hegel's terminology--- is the absolute necessity to embody social freedom in concrete, interrelated, historically specific social, political and economic institutions. It is dynamic in the sense that such institutions and to some extent, the idea of freedom itself may undergo further changes in the direction of promoting further capabilities as the future unfolds. In the next section, a concrete illustration of this idea is attempted by looking at the problems of women's capabilities. Needless to say, this is particularly relevant in the context of MENA.

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<sup>2</sup> See McCamant(2003) for a discussion of domination and unequal exchange.

## **WOMEN'S CAPABILITIES PROMOTION AS A SPECIAL POLICY IMPERATIVE: PRESENT TASKS AND A MOVEMENT TOWARDS THE FUTURE**

Within this project of promoting global 'deep democracy' through the progressive equalization and enhancement of social capabilities defended above, certain items such as ecological justice, sharing of wealth across borders and gender justice have proved to have both logical and normative salience. Here, I develop one theme--- namely, the problem of developing women's capabilities as an important aspect of global justice--- as an example to illustrate the practical relevance of the capabilities approach.

Here, too, the two important modern pioneers are Sen and Nussbaum. Sen's *Inequality Reexamined* has an important chapter on Gender and Capabilities. Sen has contributed to a rigorous examination of the connections between gender and capabilities both conceptually and through empirical work in collaboration with others. *Women, Culture and Development---* Nussbaum's edited volume with Jonathan Glover as the coeditor--- is another landmark contribution to the field of gender and development. Nussbaum (2000) is also a most illuminating contribution, but here I will focus on the pioneering 1995 edited volume for the most part. Incidentally, Nussbaum (1995) also takes issue with certain relativist postmodern criticisms of 'essentialism' and defends an Aristotlean 'essentialist' conception of capabilities here as well. Jonathan Glover contributes a balanced and judicious essay defending 'reasonable' interventions while avoiding 'policy imperialism' from above. There is also an important essay by Sen on gender inequality and theories of justice in the third part of the book. David Crocker's clarifying essay on the concept of capabilities is illuminating in several respects.

The book begins with a concrete case study of women's right to employment in India and Bangladesh based on her fieldwork by Martha Chen. Apart from the editors, a number of different perspectives on methodology and foundations of conceptualizing women's equality are presented. For example, Onora O'Neill presents a vigorous case against using preference satisfaction as the normative criterion in economics. She couples this with an equally vigorous defense of the capabilities approach. She is, however, a Kantian and weaves skillfully the capabilities approach with a form of the Kantian principle that we not act on principles that can not be acted upon by all and argues that such a Kantian principle can serve as a valuable test for viable social policies. Her arguments result in showing that victimization, 'by violence, by coercion, by intimidation, is simply unacceptable. Inter alia, this is also a powerful condemnation of the victimization of women.



I have already mentioned David Crocker's meticulous essay on the concept of capabilities. Hilary Putnam also defends a pragmatic approach close to John Dewey's position that there could be a rational basis for articulating and holding onto an ethical position. Although, as Linda Alcoff points out in her comments, some feminists have followed philosophers such as Nietzsche and Foucault in order to criticize the kind of 'rationalistic' approach Putnam defends, the point that democratic processes are necessary in Putnam's argument seems to be intact. In my defense of a deeper form of democracy, I have emphasized the need for respecting differences, and the role of power and desire as well, without making the last two items either epiphenomena or overwhelmingly arbitrary. Indeed, the recognition of the 'Dionysian' aspects of human nature leads to the need for a structure and procedures for democracy that will both protect individuals from tyranny and promote their social capabilities in an interactive, causally reciprocal and efficacious manner.

Respecting differences among cultures does not preclude a consideration of cross-cultural standards of justice. This is an important conclusion drawn by Seyla Benhabib in the Nussbaum-Glover volume. There are internal debates within each culture about justice, as Sen and others have also pointed out. There may be sufficient common ground among seemingly different cultures in their critical and reflective discourses on ethics and justice. This points to the possibility of discussing women's capabilities from a global and objective perspective. There are a number of other essays--- conceptual and empirical--- including the highly relevant and important essays in part iv which give regional perspectives on women's equality from China, Mexico, India and Africa.

From matters of basic functionings such as health and survival to issues related to political voice--- in short, the whole spectrum of functionings related to self-determination--- there is by now compelling recorded evidence of discrimination against women almost everywhere in the world. In developing countries, along with general discrimination, there are also important regional variations. Even with great poverty, sub-Saharan Africa shows less gender discrimination in basic health matters than the wealthy Indian state of the Punjab, for example. This also allows us to illustrate the severity of such discrimination in some Asian countries in particular.

For example, the female-male ratio in sub-Saharan Africa is 102.2 to 100. The same ratio for many Asian, Latin American and North African countries is much lower--- in fact the female

percentage is less than male percentage. In order to dramatize the issue, Sen has expressed this gap as the absolute number of 'missing women'. Following this approach, in the 1990s, the number of missing women in Southeast Asia was 2.4 million; in Latin America it was 4.4 million; in North Africa, 2.4 million; in Iran, 1.4 million; in China 44 million; in India 36.7 million; in West Asia, 4.3 million.

According to Dreze and Sen (1989), in India there are more girls dying than boys, i.e. mortality rates are higher for the girls. Additionally, the mortality rates are higher for women than men in all age groups until the late 30s. As Chen, Nussbaum and others have pointed out, income poverty alone cannot explain this tragic fact. Social and political arrangements including what commonly goes under the names of customs and culture are also implicated. The limits of cultural relativism become apparent in such a defining case as women's mortality. Increasingly, the women and the poor themselves are speaking out and asking for solutions (Narayan 2000).

Does this imply that 'enlightened' policy makers and 'foreign aid' workers including the NGOs have the moral right to impose their policies on the women in poor communities? Far from it. What we really need are new institutions inclusive of women, led by them locally and working cooperatively with the other democratic institutions. In other words, promotion of deep democracy at the local level with active participation and leadership from local women is a necessary condition.

It is also an implication of this type of policy and institutional approach that a serious attempt must be made to collect and interpret the relevant information regarding the functionings and capabilities of women. Indicators such as life expectancy, females as a percentage of total population and other demographic data are, needless to say, as relevant as ever. Social indicators for education and rights to participate in social life are also crucial. But, in addition, political indicators of democratic rights and democratic participation are of great importance. Only when women have the rights and are actually participating at all levels of political organization, and indeed leading many of them, is it possible to claim that positive political freedoms for women are an actuality. In MENA as a region the progress towards enhancing women's capabilities has been uneven. We now turn to these concrete issues regarding capabilities in MENA and particularly, Egypt after discussing a general heterodox approach to the idea of development partly based on the East Asian experience.

## Part II: Capabilities in MENA : A General Approach based on the East Asian Experience and The Egyptian Case

As mentioned before, the main characteristics of the approach to capabilities in the region are clear. The assessment of human development and capabilities exercise in MENA includes the following areas for achieving the desired results: (i) *Macroeconomic framework component*: Analysis of the evolution and nature of macroeconomic policies and their inter-relationships with trade, finance and other policies and their effects on MDGs and human development; (ii) *Fiscal component*, the effects of trade and financial reform and policies on the fiscal position of the countries and its relation with MDGs expenditures needs and potential constraining effect on the application of flanking policies; (iii) *Institutional component*: assessing institutional capacity and performance of trade-related institutions and their effect on trade outcomes; (iv) *Dynamic effects component*, undertaking specific studies to assess spillovers and externalities brought about by policies including trade, financial and investment policies; and; (v) *Intellectual property rights component* assessing the effects of more stringent protection of IPRs on MDGs and human development indicators.

However, these components must be viewed as part of a coherent development strategy. It may be helpful here to contrast a holistic capabilities strategy with narrower ones. I now turn to this task before focusing on MENA and Egypt. Because Korea has been one of the more successful cases of development with equity, I discuss these issues in the Korean context for the sake of a concrete context.<sup>3</sup>

In the rest of this paper, I will be referring to three concepts of development that are implicit in much of the discussion in the field of industrialization and development. The first is the idea of development as growth with some structural change or at least the idea that this type of growth is the most crucial necessary condition for development. The second concept is derived by adding explicit distributional elements to growth--- particularly inequality and poverty. Both these ideas are shared by the development economists today ---at least implicitly. In a recent contribution, Peter Warr is explicit in discussing all three---growth, absolute poverty and inequality<sup>4</sup>--- and his thoughtful essay alerts the reader to the performance of Thailand in all three areas and derives--- at least partly--- a logic of further necessary reforms following from his cogent analysis of the three aspects of development in this sense. . He concludes:

Not all aspects of the Thai development strategy have been similarly successful.

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<sup>3</sup> For a technical formal description of how to enhance growth and capabilities with innovation, see appendices 2 and 3.

<sup>4</sup> At least since the McNamara period in the 70s, the World Bank took the lead in advocating “redistribution with growth”. ILO and UNCTAD also followed suit and had stronger lines of argument. Sen did his earlier work on poverty in the 70s under ILO sponsorship. UNIDO and ECLAC both had always advocated industrialization and equity.

Inequality has increased at the same time as absolute poverty has declined. The underlying causes of this increase in inequality are still not well understood. (Warr 2008, p.22)<sup>5</sup>

The third--- and the broadest approach to development discussed and applied here--- is in terms of Sen's idea of capabilities and its further extensions. In this view, as discussed before, development is really an extension over time and space of freedom, particularly the positive freedom to lead a certain type of life an individual has reasons to value. In technical modeling of industrialization and development (including my own models---see appendixes) often this normative view is not adopted explicitly. Yet, in so far as there is a normative aspect about development being a "(public) good" that is a premise for the whole project of industrialization and development such a view is consistent with the modeling approaches as well. In a recent essay prepared for WIDER, a Korean scholar Keun Lee's perceptive comments on the possible role of democracy in development extends considerably the terrain of discussion in the direction of the "development as freedom" perspective when he writes:

We see obvious advantages in democracy, amongst which is the convenient feature that citizens are not subject to arbitrary arrest and torture. Truly strong states get it wrong more often than they get it right. Thus the military dictatorships of Latin America left little in the way of legacy, whereas the military dictatorships in Korea and Taiwan (while not on anything like the same scale of brutality) left a powerful legacy of development. The difference lies clearly in strategic orientation and in institutional capacity in formulating and implementing a program of national industrial development. Our point is that this is an option available to the political leadership of any developing country today. On top of this, the key to the Korean or Asian success was institutional longevity. (Lee 2008, p. 13)

It would seem, therefore, that there is an implicit agreement in at least the post-1970 thinking that development is "growth plus" other things. While the list of "other things" may vary somewhat, none of the researchers in the field today would equate growth and development. Yet, as almost all would agree that generating high growth may be a useful means towards development. Many thoughtful researchers also pay some attention to what can be called "the political economy of growth and distribution"

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<sup>5</sup> See also Warr(1993,1999,2005) for nuanced analyses of the various aspects of Thailand's development experience and Jomo(2007,1995) for Malaysia..

Synthesizing the Experiences of the high growth Asian economies and the Korean economy in particular further reveals some common strategic orientations as well as the effects of changes in external environment and shifts in policies over time. This is consistent with the characteristics of complex economic systems which are nonlinear with multiple equilibria and path dependence. Over time, one may observe the emergence of structural shifts in some cases, stagnation in other cases depending on initial conditions, strategies, policies and external environment among other things. In the Asian cases discussed here, there are many specific variations within each. However, they also share to various degrees many specific features listed below.

1. Strategic Openness of the Korean strategy:

One important feature of the Korean strategy was a strategic commitment to export promotion beyond an earlier period of strategic import substitution (SISI)<sup>6</sup> and further goals of moving up the value added ladder. It should be kept in mind however, that there can be a "fallacy of composition" (Cline 1982, Khan 1983, Mayer 2002, Razmi and Blecker 2006) in claiming that all developing countries need to do is to pursue an export-led growth policy. Reciprocal demands may not exist sufficiently and the ensuing competition for export markets in developed countries may create winners as well as losers. Therefore, what may be needed in the future for other aspiring countries is a strategic approach including the development of national and regional markets and the creation of dynamic comparative advantage along with a number of other policies and institution building processes described below. In Asia Korea and other East Asian successful countries can play a significant enabling role in this respect in the future.

2. Heterodox macroeconomic policies for stability<sup>7</sup>---Here Korea has displayed more of a mix of heterodox policies than the standard Washington consensus. For a long time capital markets were not liberalized. Trade policy, on the other hand, was more liberal; but here. Too, it was combined with industrial policies (Chang 2007) It seems that the rigidity of Washington consensus particularly in this area is rejected by the experiences of developing economies like Korea.

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<sup>6</sup> On what I have called SISI, see Amsden (2008) and the references therein, Bruton (1998) Khan (2004a,b; 1997, 1985, 1982a,b)

<sup>7</sup> See Jomo and Nagaraj (2001) for a good discussion of heterodoxy in this context.

3. Creation of institutions for productive investment--- Korea seems to have gone much further than even the other successful East Asian countries much earlier. Starting with the reforms in the 1960s, it moved through several successive stages and is now trying to find appropriate technological niche in a world that is moving towards a convergence of information, bio and nano technologies by 2050. The role of state in the creation of these institutions is still very prominent.

4. Agricultural development--- Korea and Taiwan had an egalitarian land reform after the end of Japanese colonialism. Although, the agricultural policies underwent some swings in Korea, until the WTO regime an emphasis on helping the small farmers was quite notable. Technological change in agriculture in both Korea and Taiwan has been notable.

5. Industrial development and structural change-- the strategic perspective in this important area suggests that the successful countries to various degrees pursued a continuously unfolding and dynamic set of policies with much trial and error. The retrospective attempts to tell a coherent story have often led to an overly deductive picture where good performances supposedly follow from a few , usually neoclassical economic principles. The Korean case studies by Amsden and Khan show the complexity of the challenges and the trial and error responses by the policy makers over several decades. Amsden(1989, 2008), Khan(1982a,b;1983,1997,2004a,b) and Wade(1990) discuss the cases of Korea and Taiwan in the general East Asian context.

6. Creation of technological capabilities--- here the Korean case stands out as a very apt illustration of creating technological capabilities throughout the entire growth and development trajectory in definite stages.<sup>8</sup>

As Lee(2008,pp.4-5) points out:

Among various aspects of capacities, emphasis should be on technological capabilities because without these, sustained growth is impossible. In this era of open market competition, private companies cannot sustain growth if they rely upon cheap products; they need to be able to move up the value-chain to

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<sup>8</sup> See also Lee(2006) for a contrast of Korean experience with the Washington consensus and Khan(2008, 2002,1998 and 1997) for a discussion of the Korean ( and Taiwanese)case(s) in the context of a distributionally sensitive growth model for positive feedback loop innovation system(POLIS).

higher-value added goods based on continued upgrading and improvement and technological innovation. Furthermore, private companies had better be “local” companies, whenever possible, including locally controlled JVs, not foreign controlled subsidiaries of the MNCs. MNCs subsidiaries are always moving around the world seeking cheaper wages and bigger markets. Therefore, they cannot be relied upon to generate sustained growth in specific localities or countries although they can serve as useful channels for knowledge transfer and learning.

7. Technological learning and innovation--- a flexible approach to intellectual property rights: creating national innovation systems in particular requires the creation of specific institutions and technological learning over time. Ultimately, if development is to continue beyond the catching up phase, this may present the most crucial set of policy challenges. Here, the paper on Korea by Lee(2008) is an admirable attempt to sum up the lessons. There are specific features here to which Lee(2008,p.5) draws our attention.

Therefore, while the ultimate goal and criterion of development is to raise the capabilities of local private companies, the process needs pilot agencies to guide and coordinate the whole process. Such needs exist because key resources are so scarce, and thus had better... be mobilized for uses in sectors or projects with greatest externalities. As understood by Gerschenkron, who analyzed the latecomer industrialization of Germany and Russia, and identified latecomer agencies, such as large state-owned investment banks to drive the process in these countries, it is such agencies that can make up for gaps or lacunae in the country that is seeking to industrialize. All the east Asian countries built specific state-agencies that played a role of guiding the process of industrialization. In Korea the institutions established in the 1960s under the Park regime included the Economic Planning Board to set economic plans; the Ministry of Trade and Industry to support industrial policy and export; and the Ministry of Finance to finance economic plans.

Both state and civil society have to play important roles. At an earlier stage, the state necessarily plays a large and activist role . At a later stage, however, the creation of technological capability has to rely on a private-public partnership at both the precompetitive and the competitive phases of innovation(Khan 1998,2004a, 2010).

8. Direct Foreign Investment and Foreign Aid--- these factors have played a role for Korea. Investment from abroad has perhaps been more significant than aid per se. However, internal generation of investible funds and public sector support have also played a crucial role.

9. Poverty reduction strategies-- these are a varied set of policies that are necessary in addition to growth. Although growth is a very important component of such a strategic approach to poverty

reduction, in all cases specific policies targeting both rural and urban poverty were undertaken. This suggests a "growth plus..."(Weiss and Khan2006) strategy for development.

In addition to the nine sets of factors discussed above, there are also somewhat random, historically contingent factors.Khan's case study on Korea acknowledges the presence of such factors explicitly and reveals historically contingent events ranging from momentous events such as wars and revolutions to more usual changes in domestic and international political factors and changes in policies that depended on crucial personalities such as that of President Park in Korea in the 1960s.

What follows from the above identification of both the relatively necessary as well as the more contingent factors that have played a role is, I think, the need for taking a pragmatic and diagnostic approach to the problems of development and industrialization in the 21<sup>st</sup> century. It is necessary to identify distortions. It is also equally necessary to identify market failures and other institutional failures. Instead of taking a grand, presumptive approach to development, the role of a mix of heterodox policies with the willingness to revise policies before the cost gets too high seems to be the best recipe for avoiding failures. This has been the Korean experience including its response to the disastrous Asian Financial Crisis which in the Korean case was significantly affected by hasty financial market liberalization *inter alia*.

In looking at institution building in the Korean case, it is also clear that generally, it is easier to list the functions that good institutions perform than it is to describe the shape they should take. In fact, consistent with the complexity approach outlined here, there may be a wide variety of institutions serving roughly the same function. From the Korean case, it is apparent that the desirable institutions provide a rough and ready type of security of property rights, enforceability of contracts and lead to a gradual and strategically conceived integration with the world economy. In addition, they also help maintain macroeconomic stability without a necessarily rigid conservative fiscal stance. Over time and given sufficient financial development, the state and private sector institutions should be able to manage risk-taking by financial intermediaries. In order to promote equitable growth there will also need to be institutions that can supply social insurance and safety nets, and create a democratic space for voice and accountability. But there is no one-size-that-fits-all for any of these functions.<sup>9</sup>

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<sup>9</sup> See Chang (2007) for a number of thoughtful contributions on this topic among other things.



To sum up, the Korean case offers a set of concrete examples of the growth and development experiences during the post WWII period. Although no country can succeed by following mechanically the experience of another country, as outlined above, a number of helpful policy and institutional insights can still be drawn out from these cases. In the spirit of experimentation with rapid feedback and flexible policy making informed by a strategic medium to long run perspective, much can be done by the policy makers who are imaginative and pragmatic at the same time. Dynamic learning and flexible institution building are essential components of such a strategic approach to development. I now discuss the somewhat changed economic environment in the post cold war period and outline the need for some specific changes which Korea and other East Asian economies as well as BRICS can help bring about. This, in addition, to the lessons outlined above can be the most optimal way for Korea to help today's struggling developing economies. Many of the MENA economies and Egypt in particular fall under this category. What has been done and what can be done in this region for the kind of strategic integration that can lead to rapid capabilities enhancement, particularly for women?

### Part III: The MENA Region and Egypt : The Political Economy of Capabilities in Action

The Arab Human development reports date back to 2002. The Regional Bureau for Arab States (RBAS) of the United Nations Development Programme (UNDP) has pioneered the efforts in the Arab region since 2002 to address the development challenges in the region. The Arab Human Development Reports (AHDR) are intended to "... foster a broad, informed discussion on the key questions facing stakeholders in the pursuit of human development to its full potential".

The intentions as usual are good. But it is not clear that "... these reports are a breakthrough". They need to go much further in unveiling the root causes, particularly the political causes of underdevelopment. It is undoubtedly positive to emphasize "...increased access to education and knowledge, full enjoyment of freedom as the cornerstone of good governance, empowerment of women, and the guarantee of human security for all." However, I would argue that to realize these goals, the political move towards ever deeper forms of democracy are essential. Here indeed the particular type of capabilities analysis advocated in this paper can clarify a number of issues. The Egyptian case study is designed to serve precisely this purpose.

The UN report correctly points out "...the wide range of challenges facing Arab youth as they transition into adulthood. According to the 2009 edition of the AHDR, Challenges to Human Security in the Arab Countries, about 30 percent of the youth in the Arab States region is unemployed. Considering that more than 50 percent of the population in Arab countries is under the age of 24, 51 million new jobs are needed by 2020 in order to avoid an increase in the unemployment rate." The Egyptian case study offers a detailed description and analysis of the youth employment problem from a social capabilities perspective.

As mentioned earlier, the assessment of human development and capabilities exercise in MENA needs to include the following areas for achieving capabilities enhancement(i) *Macroeconomic framework component*: Analysis of the evolution and nature of macroeconomic policies and their inter-relationships with trade, finance and other policy areas and their effects on MDGs and human development. Here, the discussion of Egypt will show that the existing policies have limited effects at best and if followed dogmatically can be counterproductive.

(ii) *Fiscal component*, the effects of trade reform and policies on the fiscal position of the countries and its relation with MDG's expenditures' needs and potential constraining effect on the application of flanking policies. Here, the Egyptian case study below is quite instructive. Not only does the neoliberal position embraced by Egypt constrain the government, it actually forces it to systematically inflict capabilities damage on vulnerable groups and women.

(iii) *Institutional component*: assessing institutional capacity and performance of trade and finance-related institutions in particular and their effect on economic, social and political outcomes. In Egypt, Jordan, Morocco and other MENA economies the changes are slow and halting. In the two latter cases, at least the process has so far kept dissent within bounds. But Egypt's authoritarian rulers made a revolutionary uprising the only way to start the necessary process of institutional changes for possible capabilities enhancement for all.

(iv) *Dynamic effects component*, undertaking specific studies to assess spillovers and externalities brought about trade and investment policies. Here the evidence so far is mixed. Unlike East Asia, where the dynamics has been largely benign and capabilities enhancing, in the MENA region the dynamics of worsening inequalities and uneven development signal crises. In Egypt and several other MENA countries, this reached the boiling point. But the others, sadly, are not far behind in this adverse dynamics.

(v) *Intellectual property rights component* assessing the effects of more stringent protection of IPRs on MDGs and human development indicators. Here the contrast with the East Asian economies is clear. In these economies, a favorable learning climate was set up without rigid *Intellectual property rights rules*. The current neoliberal regime of TRIPs is a one-size-fits-all approach that is not serving countries like Morocco, Tunisia, Egypt or Jordan well. A flexible approach is necessary.

A final remark about the need for an integrated and capabilities relevant data framework is necessary. Quite often development aid agencies, NGOs and private consultants refer to anecdotal evidence to imply that the skeptical view is not warranted. Surely, there are partial success stories almost everywhere and there is much to be learned from these. While such success stories are important, the piece-meal nature of such accounting is not to be brushed aside. These stories do not add up to a coherent strategy, or a consistent information base on which a strategy can be formulated and implemented. For economy and society wide strategy we need to first conceptually link the specific policies with particular aspects of capabilities analysis and attack specific nodal points. An example is the issue of reproductive health of young women---particularly those from lower socio-economic strata--- in MENA economies. For a relevant capabilities analysis the health issue must be linked with the socio-economic status of these women. More specifically, the challenges of poverty, social exclusion and other interrelated discriminatory ideas and practices against women's capabilities enhancements must be identified and attacked coherently. A second requirement for formulating quantitative goals and targets and an implementation program is to create a consistent information base that initially relates to crucial aspects of capabilities of specific groups of individuals and ultimately to each specific person in the group. A detailed *social accounting matrix(SAM)* that integrates a demographic information base with socio-economic data for the MENA countries will be a good start in this direction.

Looking at the MENA region as a whole it is clear that from the wealthy Emirates to the poorer countries there is wide variation in human development. This is captured partially and imperfectly in the HDI scores which range widely. But even the highest scoring countries are still far behind many other developing countries with much lower per capita income. I present the Egyptian case study below to explore the problems of human development in a not-so-rich Arab state. Egypt is the largest of the MENA countries in terms of population and also has great historical importance in regional politics. Given the social and political capabilities approach outlined in part I, the recent political upheavals offering potential democratization in Egypt make this case particularly significant .

## The Egyptian Case Study

We begin by looking at the trend in HDI. As pointed out at the outset, the HDI---even with many adjustments---captures only a few dimensions of capabilities. But even with these rather limited scope, the index does capture some well-being aspects beyond economic growth. Egypt has certainly made progress since 1980 when it had an HDI of only .393 which was below the Arab average. This latter, in turn, was below the world average in 1980. Over the last three decades, the Egyptian HDI gradually overtook the Arab HDI average. But both still lag behind the world average which was .624 in 2010. Looking at the rates of change of HDI in Egypt, progress slowed down in the first decade of the twentieth century. Egypt is still ranked 101 among all countries.

Table 1: Human Development Index Egypt: Trends 1980-2010

Year	Rank			101
	Egypt	Arab States	World	
1980	0.393	0.398	0.455	
1985	n.a.	0.442	0.486	
1990	0.484	0.477	0.526	
1995	n.a.	0.509	0.554	
2000	0.566	0.530	0.570	
2001	n.a.	0.536	0.575	
2002	n.a.	0.545	0.581	
2003	n.a.	0.549	0.587	

2004	n.a.	0.556	0.594
2005	0.587	0.563	0.598
2006	0.594	0.570	0.604
2007	0.601	0.576	0.611
2008	0.608	0.580	0.615
2009	0.614	0.585	0.619
2010	0.620	0.590	0.624


 But we need to look at some more extensive data for assessing Egypt's performance recently. Table 2 offers some indicators on health, education, income inequality, poverty, human security, gender inequality etc. It is clear from table 2 that both income inequality and gender inequality remain quite high in Egypt. Consequently, the inequality adjusted HDI is only .449 or about two-thirds of the unadjusted HDI for 2010. The indicators ranging from those on women's education and maternal health to women's political participation show widespread gender disparities. Although national level data are not officially available, my fieldwork and interviews with Egyptian researchers also revealed great rural deprivation and for both rural urban areas the suffering of the lower socioeconomic groups. Everywhere women from these groups face more discrimination and barriers to capabilities enhancements. Thus the approach of social institutional network based approach to capabilities adopted here seems relevant. In light of this approach it is relevant to ask if some institutional and policy changes in the last ten years can explain the slowdown in general capabilities enhancement and the deplorable gender disparities which persist in spite of much development rhetoric to the contrary. The answer is that by the year 2000, a set of neoliberal policies in trade, finance, fiscal and monetary policy areas came to be firmly in place. This decade also saw a sclerosis in Egypt's political and social institutions under Mubarak's regime. I now turn to these considerations.

Table 2: Other well-being indicators for Egypt ---2010

#### Health

Indicator	Life expectancy at birth (years)	Value
		70.5
<a href="#">Prevalence of undernourishment in total population (% of population)</a>		<5
<a href="#">Expenditure on health, public (% of GDP)</a>		2.4
<a href="#">Under-five mortality (per 1,000 live births)</a>		23

<a href="#">Life expectancy at birth (years)</a>		70.5	
Education			
	Mean years of schooling (of adults) (years)		6.5
Indicator		Value	
<a href="#">Adult literacy rate (both sexes) (% aged 15 and above)</a>		66.4	
<a href="#">Combined gross enrolment ratio in education (both sexes) (%)</a>		76.4	
<a href="#">Expenditure on education (% of GDP) (%)</a>		3.8	
<a href="#">Internet users (per100 people)</a>		16.6	
<a href="#">Mean years of schooling (of adults) (years)</a>		6.5	
<a href="#">Expected Years of schooling (of children) (years)</a>		11.0	
Income			
	GNI per capita (2008 PPP US\$) LN		8.7
Indicator		Value	
<a href="#">GDP per capita (2008 PPP US\$)</a>		5,840	
<a href="#">GNI per capita (2008 PPP US\$) LN</a>		8.7	
<a href="#">Household final consumption expenditure per capita PPP (constant 2005 international \$)</a>		2,608	
Inequality			
	Inequality-adjusted HDI value		0.449
Indicator		Value	
<a href="#">Income Gini coefficient</a>		32.1	
<a href="#">Inequality-adjusted education index</a>		0.304	
<a href="#">Inequality-adjusted income index</a>		0.465	
<a href="#">Inequality-adjusted HDI value</a>		0.449	
<a href="#">Inequality-adjusted life expectancy</a>		n.a.	
Poverty			
	Multidimensional poverty index (k greater than or equal to 3)		0.026
Indicator		Value	
<a href="#">Multidimensional poverty index (k greater than or equal to 3)</a>		0.026	
<a href="#">Intensity of deprivation</a>		40.4	
<a href="#">MPI: Headcount ( k greater than or equal to 3), population in poverty (% of population)</a>		6.4	
<a href="#">Population living below \$1.25 PPP per day (%)</a>		<2	
Gender			
	Gender Inequality Index, value		0.714
Indicator		Value	
<a href="#">Maternal mortality ratio (deaths of women per100,000 live births)</a>		130	
<a href="#">Population with at least secondary education, female/male ratio</a>		0.710	
<a href="#">Adolescent fertility rate (women aged 15-19 years) (births per 1,000 women aged 15-19)</a>		39.0	
<a href="#">Labour force participation rate, female/male ratio (Ratio of female to male shares)</a>		n.a.	
<a href="#">Gender Inequality Index, value</a>		0.714	
<a href="#">Shares in parliament, female-male ratio</a>		0.038	
<a href="#">Maternal mortality ratio (new estimates) (deaths of women per100,000 live births)</a>		82	

<a href="#">Gender Inequality Index (updated)</a>		0.693
Sustainability		
	Adjusted net savings (% of GNI)	2.1
Indicator		Value
<a href="#">Carbon dioxide emissions per capita (tonnes)</a>		2.2
<a href="#">Protected area (percentage of terrestrial area)</a>		5.9
<a href="#">Adjusted net savings (% of GNI)</a>		2.1
Human Security		
	Refugees (thousands)	6.8
Indicator		Value
<a href="#">Refugees (thousands)</a>		6.8
<a href="#">Unemployment rate, total (%) (% of labour force)</a>		8.7
<a href="#">Homicide rate (per 100,000)</a>		0.8
<a href="#">Robbery rate (per 100,000)</a>		1
<a href="#">Population affected by natural disasters (average per year, per million) (average per year per million people)</a>		2
Composite indices		
	HDI value	0.620
Indicator		Value
<a href="#">Multidimensional poverty index (k greater than or equal to 3)</a>		0.026
<a href="#">HDI value</a>		0.620
<a href="#">Gender Inequality Index, value</a>		0.714
<a href="#">Inequality-adjusted HDI value</a>		0.449

### The Neoliberal Approach to Trade and Development in Egypt since 2000 and Its Implications:

Egypt embarked on major economic structural reforms since 1991 after entering in an economic reform and structural adjustment program (ERSAP) designed and implemented jointly with the World Bank and International Monetary Fund (IMF)<sup>10</sup>. Throughout most of the 1990s, Egypt succeeded in implementing a reform program which managed to slow down inflation and make progress in restoring internal balances where the macroeconomic indicators improved over the period 1991-1998 . Since 1991 the Government of Egypt (GoE) adopted a number of neoliberal reform measures which included devaluation of the Egyptian pound and unification of the existing exchange rate systems, reduction of trade barriers, initiation of an ambitious privatization program (though it slowed down in the

<sup>10</sup> ERSAP was not the first imitative by the Egyptian government to undertake reforms. In fact, Egypt signed three standby agreements with the IMF in 1976, 1978, and 1987. These entire standby agreements followed the same line of policy recommendations, advocating to different degrees tight fiscal and monetary policies, liberal exchange rate and trade policies along neo-classical lines. However, with the exception of the ERSAP, the other three agreements were discontinued for social, political or economic reasons (Korayem, 1997).

latter part of that decade), adoption of a tightened fiscal policy, reduction of subsidies on some strategic commodities including gasoline, and upgrading and expanding physical infrastructure.

In terms of GDP and external balance, the economic performance improved slightly over the 1990s (with the exception of 1997/98 when real GDP growth rate dropped significantly mainly due to Luxor massacre and its severe impact on the tourism, one of the main pillars of the Egyptian economy, and the capital flight which followed the 1997 Asian financial crisis). For example, the budget deficit dropped from 20% of GDP in the early 1990s to 1.3% towards the end the decade; and average annual inflation declined from 22.2% in 1990 to 2.8% in 2000. Real GDP growth rate increased from 2.1% in 1991 to 5.4% in 2000; and private sector share in GDP rose from 64.3% in 1994/1995 to 70.4% in 1999/2000. In fact, Egypt has been appraised for its success in the implementation of the program as the reports of international organizations have revealed<sup>11</sup> (see for example, IMF, 1998). The ERSAP contained a *trade policy*<sup>12</sup> component and several important steps were taken by the government starting 1991 in this regard. However, and despite relatively competitive labor costs, labor intensive production remained below potential, while merchandise exports were limited and narrowly focused” (IMF, 1998, p. 1).

### *2000 onwards*

Even these macroeconomic trends were reversed in 2000/01 as a result of the stagnation of the political process, and further aggravated by a slowdown in the international economy and the impact of September 11<sup>th</sup> terrorism attack. The negative developments were further exacerbated by the appreciation of the Egyptian pound, which was pegged to the US dollar. In effect, the government experienced substantial official reserve losses where it dropped down from US\$16.8 billion in early 1997 to US\$14.2 billion in 2001. The corrective actions undertaken by the government to tighten monetary policy in 1999/2000 resulted in the decrease in private credit. As a result of such repercussion, real GDP growth rate declined from 7.5% in 1998 to 3.5% in 2001. Real GDP growth continued to fall and reached its lowest level in a decade in 2003 (3.1%) whereas budget deficit reached reversed upwards to 9.6% of GDP in 2004/05. This deficit remained high later, yet slightly decreased in 2005/2006, reaching 8.2%.

Alarmed by the slowdown of the economy and the negative economic indicators, the GOE sought to revive the neoliberal economic reform program. A wide ranging set of economic reforms have been undertaken after the appointment of a new cabinet in 2004. Among the reforms undertaken were the floatation of Egyptian pound which in fact preceded the appointment of the new cabinet and took place in early 2003, trade and customs reform, tax reform and a more market-oriented macroeconomic policy. For example, corporate and personal tax rates were cut by half, many tax loopholes were eliminated, and tax administration was improved, which resulted in a substantial increase of tax receipts (corporate, wages, and goods) when compared to pre-tax reform. The GOE introduced a reform program for the financial

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<sup>11</sup> As has been identified by the International Monetary Fund, “By the standards of recent experience with economic stabilization, Egypt in the 1990s is a remarkable success story” (IMF, 1998, p.1).

<sup>12</sup> By trade policy we mean tariff and non tariff measures, subsidies, surcharges, and taxes. We do not deal with macroeconomic issues as exchange rate.



sector in 2005 lasting till 2008 and started to privatize state-owned banks and improved the prudential regulations governing the financial sector. In other words, the cabinet appointed in July 2004 undertook an ambitious program of economic modernization following *Washington Consensus* type of reforms though without direct pressures from World Bank and IMF.

Privatization program was revived after a period of slow down which lasted between 1997 till 2003. According to the Ministry of Investment, 8 public companies were sold in the period from July 2004 till July 2008, amounting to a sales proceeds total of LE 1.2 billion; in addition, 22 public assets and production lines were sold for LE 2.4 billion in the same period. One major landmark of the program was the selling of Bank of Alexandria, one of Egypt's four state-owned banks, which took place in 2006, yielding a sale proceeds total of LE 9.2 billion. The results of implementing the program starting from 1991, however, yielded as of July 2008 more than LE 58 billion in revenues from total and partial sales through 401 transactions, besides the optional early retirement of more than 205,000 workers, and the comprehensive debt settlement agreement currently being finalized between the Ministry of Investment, Ministry of Finance and creditor banks for the debt owed by remaining companies (under law 203) amounting to LE 9.7 billion (as of June 2007).

The reforms undertaken by the 2004 Cabinet resorted the macroeconomic imbalances but only at the expense of almost completely liquidating public services and public enterprises.. Foreign direct investment (FDI) inflows increased temporarily from \$0.2 billion in 2003 to \$11.5 billion in 2007 (UNCTAD WIR 2008). However, the reforms undertaken focused mainly on economic policies whereas institutional and social dimensions remained lagging. The inflation rate skyrocketed reaching 18% in 2008 (CBE) while increase in nominal wages lagged behind. In addition, even official unemployment figures remain high revolving around 11.7% in 2007/2008 (Ministry of Finance, 2008) (non-official sources give double this amount), whereas under-employment and reliance on the informal economy (often estimated at one third to one half the size of official GDP) are heavily relied on as an informal social safety net. Income inequality remained almost stagnant with Gini coefficient reaching 34 percent in 2004 compared to 33 in 1995 (World Bank, online database). Moreover, other crucial institutional pillars of a prudent market economy were introduced much later including the competition law in 2005 and consumer protection law in 2006.

It is in these contexts of shortsighted neoliberalism and political repression in Egypt that the revolution in Egypt that began recently with the demonstrations in Tahrir square and overthrew the Mubarak regime has to be viewed. The Egyptian people---the youth in particular--- has revolted inter alia against capabilities deprivation. The role of political capabilities here is paramount. But social and economic aspects of capabilities are also at work. I now turn to a discussion of these intermixed political, economic and social capabilities involved in the still unfinished and perhaps inchoate revolution.

## Egypt: the Unfinished Revolution for Capabilities Enhancement

The revolutions in Egypt and across the Middle East are far from over, and many are still violently embroiled in their national battles for political freedom. It would be shallow and cynical to think that revolutions are simply phenomena that belong to 2011, for the impact of the political upheavals and newfound social empowerments for Middle Eastern populations is already too deep to be so short-lived. Consistent with our theory, a more reasonable way to look at these phenomena is to realize that these revolutions are demarcating the end of the era of entrenched corruption of cronyism in politics, economics and society at large. These are, at the very least, only the beginning of a new, youthful generation of social movements that will demand more responsible and accountable governance regimes and social and economic justice.

Demands for economic justice represent strong undercurrents for economic change, in addition to the necessity for political change, reflect the complex class dimensions which superficial analysis can easily miss. The youth, in particular, raised slogans demanding a remodeling of their economies to fit their needs, creating more public sector jobs and thus reducing the high levels of youth unemployment in the region. Many of the young people in Tahrir square came from the working classes or newly arrived peasant families in Cairo. Others may be from “middle” class but facing continuing vulnerabilities in a neoliberal economy. Although it will be too economic to see a direct link between the global crisis and the Egyptian uprising, the neoliberal reforms of the Mubarak years contributed to serious poverty, deprivation and vulnerability.

Since the global economic recession in 2008, the world overall has seen a rise in unemployment and in Egypt, as in many developing countries, there has been high youth unemployment. The previous adoption of neoliberal policies led directly to the Egyptian government’s failure to create adequate public sector jobs. Consequently, Egypt has seen: underemployment of youth in low-wage private sector jobs, persistent inequality for women in the workforce, and degradation of human capital as more education does not necessarily lead to a better job, or any job at all in many cases. These trends have been captured by the UNDP’s Human Development Report for Egypt in 2010: *Youth in Egypt, Building Our Future*.<sup>13</sup>

### *Measuring Youth Capabilities and Freedoms in Egypt*

The trends in youth unemployment are described by categorizing the younger generation of Egyptians at ages 18—29, which the UNDP calls the “critical age group.”<sup>14</sup> This group represents about one-quarter of Egypt’s population—20 million people—and face near-future decisions that will define them as heads of households, community members, employees in the marketplace, and citizens and employees of the government. The ability of Egypt’s youth to make those decisions freely and with

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<sup>13</sup> UNDP. *Youth in Egypt, Building Our Future*. United Nations Development Programme.  
<http://www.undp.org/Portals/0/NHDR%202010%20english.pdf>

<sup>14</sup> Preamble, p. XI. Ibid. “The definition accommodates for the lower age limit of 18 years adopted by Egyptian law as the transition from childhood to adulthood as well as the upper age limit of 29 years when society and most youth themselves expect and hope to have formed a family and acquired a house.”

dignity will affect the welfare of the nation as a whole, and thus the UNDP has also created a Youth Well-Being Index (YWBI) for Egypt to better indicate the needs of the youth and enable better government response to such needs.<sup>15</sup>

The inability of the government to respond thus far to the needs of the Egyptian youth has meant a great deal of sacrifice from these members of society. Disabled from fully entering the economy due to a national lack of opportunities, many of the young college graduates in Egypt are forced to move back into their families' homes and take lesser-quality jobs. This in turn, has spurred a serious trend of underemployment in Egypt. Suffering from longer periods of unemployment, often youth become discouraged and develop unproductive dependencies on the family and state.<sup>16</sup> Disappointed youth lack the emancipation and empowerment that are essential to adulthood and egalitarian democratic practices; thus, Egyptian youth have been increasingly disenfranchised from social, economic, and political participation. In this way, it is seen why youth have become the necessary leaders of the Egyptian revolution in 2011, as they have been forced to claw-back their civic freedoms and personal liberties that are necessary for them to establish their adult livelihoods. Quite simply, the reason for the 2011 Egyptian revolution was that the youth population could not wait for freedom any longer. Since 1998, there has been a strong trend of unemployment for those with university degrees in Egypt, a problem that is exacerbated along gender lines. The fact of the matter for many of those young adults is that from 1998—2010 they were not so young anymore and that there was even a generational component to youth unemployment.<sup>17</sup> Social pressures to start families weigh heaviest on those young adults who are not so young anymore, and thus their anxieties to change the political and economic systems that were holding them back from pursuing their adulthood became so immense that there was revolution.

The UNDP report found that Egyptian youth aspire to higher education, adequate employment, and community engagement. This translates to values for political voice, marriage, and family. These are not complicated values, but are simple representations of human needs, and thus should be understood easily by policy makers. The necessary measures to address these human needs require no more than an open government that can cohesively set national planning standards which share these values as a part of a broader initiative to account for the youth population bulge, wherein 40% of all Egyptians are aged 10—29.<sup>18</sup>

Prior to the economic crisis in 2008, Egypt had witnessed a respectable rate of growth in GDP, with GDP growth rates scaling upwards from 1.70% in 2003 to 7.10% in 2008. Following the impact of the global recession, GDP growth rates decreased by 36.11%, so that by 2010, the GDP growth rate had dropped to 4.60%.<sup>19</sup> There is a strong correlation of GDP growth within Egypt to that of the developed world, highlighting the favorable terms of trade, rapid growth of external demand, and abundant

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<sup>15</sup> See Chapter 15, pp. 205—218. Ibid.

<sup>16</sup> Introduction, p. VII, Ibid.

<sup>17</sup> This is most evident in the poorest rural communities, See “Executive Summary.” *Youth in Egypt, Building Our Future*. United Nations Development Programme.

<http://www.undp.org/Portals/0/NHDR%202010%20english.pdf>

<sup>18</sup> Forward, p. IX, Ibid.

<sup>19</sup> CIA World Factbook, 2011. “Egypt.” <https://www.cia.gov/library/publications/the-world-factbook/geos/eg.html>

international liquidity.<sup>20</sup> This dependent relationship between Egypt and the developed world resulted in increasing the vulnerability of Egypt's own economy to the real shocks of the global economic recession in 2008.

These real shocks were manifested as drops in tourism revenues, volatile oil prices, spikes in food prices, and shifts in foreign direct investment that have led to economic growth to shrink and unemployment to rise in the nation.<sup>21</sup> Tourism and services industries represent 70% of Egypt's foreign exchange earnings, especially as the earnings from the Suez Canal dropped significantly due to the overall reduction of world trade following the economic crisis of 2008.<sup>22</sup> Volatile oil prices in the Middle East have negatively impacted Egypt, as it primarily imports its food to urban areas, where populations and markets are most concentrated. The global economic crisis undoubtedly impacted global food prices as well, which spiked to an all-time high in 2008.<sup>23</sup> As increased inflation and commodity prices ensued in 2008, many Egyptian families could not afford to keep up even their existing standards of living, and many Egyptian youth were forced to move home to their families to wait-out (known as "wait-hood") the harsh economic climate at the time.

Unfortunately, as revealed by the UNDP 2010 report for Egypt, youth unemployment was not abated over time, but worsened. The initial spike in unemployment following the economic crisis in 2008 was exacerbated by the economic recession that lasted through 2010.<sup>24</sup> The persistence of the youth unemployment trend in Egypt reveals failures in the educational system, and labor and housing markets. "Wait-hood" is now the next stepping stone for young adults between their adolescence and adulthood, and the impacts of such an awkward stage for youth are driving social change. The internal frustration of the youth population in Egypt has been become unmistakably externalized in the demonstrations for political change in recent years, culminating an array of youth-led social movements.

The implications of the growing trend of youth leadership for civic activism became manifested in the overthrow President Hosni Mubarak in February 2011. What remains to be examined now is how the various youth-led social groups can retain their newfound legitimacy in the coming months (and years) that Egypt will struggle to reconstruct itself as an open democracy. The following section describes the most important actors in the network of social activist groups with a view towards underlining the

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<sup>20</sup> World Bank. *Arab Republic of Egypt: Egypt and the Global Economic Crisis: A Preliminary Assessment of Macroeconomic Impact and Response*. Social and Economic Development Group, Middle East and North Africa Region. Vol. I of II, Main Report. 16 June 2009. "Executive Summary." pp.1.

<sup>21</sup> Dhillon, Navtej and Assaad, Ragui. *Food, Fuel, and Finance: How Will the Middle East Weather the Global Economic Crisis?* Series 2 of 4, 29 Oct 2008. "Egyptian Economy: Protected or Exposed?" Middle East Youth Initiative. The Brookings Institute, Washington, DC.

[http://www.brookings.edu/interviews/2008/1029\\_egypt\\_dhillon.aspx](http://www.brookings.edu/interviews/2008/1029_egypt_dhillon.aspx)

<sup>22</sup> Ibid.

<sup>23</sup> Holt-Gimenez, Eric. "The World Food Crisis: What's behind it and what we can do about it" Policy Brief no. 16. Food First Institute for Food and Development Policy: Oakland, CA; October 2008. "The World Bank reported that global prices had rose over 83% in the last three years (2005—2008), and the FAO cited a 45% increase in their world food price index in less than a year. The Economist magazine's food price index is at its highest mark in the history of the publication, since 1845."

<sup>24</sup> See Chapter 3, *Youth in Egypt, Building Our Future*. United Nations Development Programme. pp. 35—42. <http://www.undp.org.eg/Portals/0/NHDR%202010%20english.pdf>

need for an egalitarian democratic solution for Egypt and by implication for the other Middle Eastern political economies.

### The unorthodox and inchoate revolution and the future

These social movements for political change in Egypt were organized in an unorthodox and in fact, revolutionary manner. The ability of the organizers of the Egyptian revolution to use the politically hitherto untapped powers of the internet to connect their diverse array of potential participants in Egypt and beyond proved to be the cutting-edge tool that gave them the advantage over past social and political activism tactics. Egypt's most recent political upheaval has been called 'Revolution 2.0' due to the impacts of social media on political activism in Egypt. The face of revolutions today is enigmatic and can no longer be categorized by a simple ideology or political party, for those fearless individuals in Egypt stood for more than just political change: rather, they stood more broadly for a cultural revolution that will be guided by the world's new generation of tech-savvy, educated youth. At the same time, as already discussed, our particular theory of social movements based on deep political and social economic causal mechanisms, helps us to see the deeper connections between the youth, the technology, the class structure, urbanization, and Egypt's location as a dependent economy within the global flow of capital, its hegemonic structure and the international division of labor.

#### *Kefaya: "Enough"*

In Egypt, Kefaya—meaning “enough”—emerged as a transformative group that sought political change during the 2004—2005 Egyptian parliamentary and presidential elections, whereby President Mubarak placed his son, Gamal, in many important government posts, as well as reelected himself for a 5<sup>th</sup> term. The rally on December 12, 2004, historically marked the first occasion of protest since Mubarak's arrival to the presidency in 1981, and was formed by some 1000 activists who gathered on the steps of the High Court in Cairo with their mouths taped over with large yellow stickers emblazoned with “Kefaya.”

Kefaya represents more than just a classified social group, but its existence underlies the face of change in Egypt: Kefaya's unique efforts reached across ideological lines among activists and intellectuals, and introduced a new force for political change that would be the backbone of the future Egyptian Revolution 2.0 in the early 2011. The movement's manifesto exhorted fellow citizens to “withdraw their long-abused consent to be governed,” as pronounced by Tariq al-Bishri, a respected Egyptian judge in 2004. This slogan stuck with the people of Egypt, and would be carried forward into the April 6<sup>th</sup> movement that would be conceived in 2008 in support of an industrial workers' strike, and would later play a fundamental role in organizing many social groups for political change that participated in the January 25<sup>th</sup> “Day of Anger” protests that launched the current Egyptian Revolution .

Kefaya's resiliency continued against the Mubarak regime and its police force despite political and practical challenges. Many of the Kefaya members were attacked by police on May 25<sup>th</sup>, 2005, but this did not stop many more from holding regular protests every Wednesday for the rest of the summer of 2005. In addition, Kefaya organized a candlelight vigil on June 8<sup>th</sup>, 2005 at the mausoleum of Saad Zaghloul, a national hero of Egypt. Some 2,000 people flooded the evening with light and hope, demonstrating the collective call for political change in Egypt. On the eve of the presidential elections, in which Mubarak would seek to gain his 5<sup>th</sup> term, 200 Kefaya demonstrators were attacked violently by

police forces. The atrocity caught the attention of Human Rights Watch, and was described as an act “not just to prevent a demonstration, but also to physically punish those daring to protest President Mubarak’s candidacy.”<sup>25</sup> Kefaya’s reaction to the violence was to boycott the elections altogether, pulling out its potential candidates from the race.<sup>26</sup> In the 2005 elections, only six million of Egypt’s 70 million plus population voted in favor of Mubarak, despite Mubarak’s claim to 88.6% of the national vote.<sup>27</sup> In response to the political injustices committed by the Mubarak regime during the elections, Kefaya supporters organized its largest rally yet, on September 27, 2005, with 5,000 discouraged voters carrying banners and chanting slogans that said “6 million voted yes, 70 million say no.”<sup>28</sup> In the autumn of 2005 Kefaya’s political prospects narrowed. With the presidential elections past and the Mubarak regime still in power, Kefaya saw yet another opportunity for political change in the parliamentary elections of November and December 2005. In a hasty attempt to grab parliamentary seats from the ruling NDP, Kefaya joined with the National Front for Change to take 12 seats total. The Muslim Brotherhood, although banned from politics in Egypt, was able to take 88 seats as independents. In all, the NDP remained dominant with 388 seats. Evaluating the minimal gains for independents in the parliamentary elections, Kefaya admitted that “it will take time and effort for the public to believe in its effectiveness.”<sup>29</sup> This message would be played out repeatedly for the next seven years until the fateful day of January 25<sup>th</sup>, 2011.

### The Muslim Brotherhood

As the leading opposition party in Egypt, the Muslim Brotherhood represents more than just political strength, but also serves as a social support network for Egyptians. It therefore has a broad base of popular support. Mubarak originally outlawed the Muslim Brotherhood due to his paranoid fear that if given the chance, they would soon overtake the Egyptian government and make Egypt an Islamic state. Mubarak’s paranoia was succinctly summarized in his statement made to an American news channel in February 2011: “I’m fed up” [of ruling Egypt]...But if I resign now, there will be chaos. And I’m afraid the Muslim Brotherhood will take over”.<sup>30</sup> Egyptian membership in the Muslim Brotherhood is estimated to be 300,000, but with millions of sympathizers nationally.<sup>31</sup> The group’s strength lies in the urban middle class, as many of its members represent the “crème de la crème” of Egyptian bourgeoisie—the movement is led by doctors, lawyers, engineers, and teachers.<sup>32</sup>

Despite Mubarak’s over-projected phobia of Islamist takeover via the Brotherhood, the Muslim Brotherhood represents pragmatic and limited democratic ideals to simply represent the interests and

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<sup>25</sup> HRW. “Egypt: Security Forces Attack Opposition Demonstrators.” 1 Aug 2005.

<http://www.hrw.org/en/news/2005/08/01/egypt-security-forces-attack-opposition-demonstrators>

<sup>26</sup> Heba Saleh, Re-Birth of Egyptian Politics, BBC News, 5 September 2005

<sup>27</sup> Fathy, Ahmed & Al Hussein, Hamdy. “Egypt’s Kefaya Holds “Swear-In” Demo,” IslamOnline.Net, 28 September 2005. <http://www.islamonline.org/English/News/2005-09/28/article04.shtml>

<sup>28</sup> Ibid.

<sup>29</sup> Shehab, Shaden. “That’s Enough.” *Al-Ahram Weekly*, 29 December 2005. <http://weekly.ahram.org.eg/>

<sup>30</sup> Khan, Mohammed. “Who’s afraid of the Muslim Brothers.” *Al Jazeera*. 9 Feb 2011.

<http://english.aljazeera.net/indepth/opinion/2011/02/20112810283643766.html>

<sup>31</sup> Brooke, Steven & Hamid, Shadi. “The Muslim Brotherhood’s Role in the Egyptian Revolution.” *CTC Sentinel*. Vol. 4, Issue 2. February 2011. <http://www.ctc.usma.edu/sentinel/CTCSentinel-Vol4Iss2.pdf>

<sup>32</sup> Khan, Mohammed. “Who’s afraid of the Muslim Brothers.” *Al Jazeera*. 9 Feb 2011.

<http://english.aljazeera.net/indepth/opinion/2011/02/20112810283643766.html>

desires of its constituency, which overtime, may be represented in political positions, and have implications on foreign policies. But, it is important to note that the Muslim Brotherhood is in a period of transition just as is the rest of Egypt during this time of revolution, and thus is vulnerable to adapt to new political and social tensions among its constituents. Whether the petty bourgeois and bourgeois can be persuaded to move towards an egalitarian anti-imperialist democratic program is the key question.

In the current revolutionary movement, at first, the Brotherhood did not take an active role, due to fears of an overstated foreign and domestic government media portrayal of Egypt's revolution as an Islamic one, but the "sleeping giant" of the Brotherhood became awakened once its younger members--- mainly of working class and peasant background--- became more involved in the street protests. The Muslim Brotherhood's younger members gained respect from their elders within the organization as they were able to effectively prod the Brotherhood members into essential organizational roles, without which the endurance of the revolution may have been weakened. The Muslim Brotherhood's acceptance of the wishes of its younger generation stands as evidence that the organization has a great potential for democratic change than the media pundits proclaim. The young leaders of the Brotherhood are proof that the face of politics is changing in Egypt in complex and not easily predictable ways.

### *The April 6<sup>th</sup> Movement*

In 2008, what is now known as the April 6<sup>th</sup> Movement broke away from the Kefaya movement in an effort to organize a national strike in support of industrial workers. The strike took place on April 6<sup>th</sup>, 2008 in the town of Mahalia al-Kubra, and had developed a highly efficient strategy for protesting modeled after Iran's Green movement. This "modus operandi" culled from their Persian compatriots would be fundamental to the Day of Anger protests held on January 25<sup>th</sup>, 2011, as it gave Egyptians a clear description of their demands, strategic goals for civil disobedience, the necessary clothing and accessories for protests, as well as strategies for protestors—such as appropriate signs and defensive techniques.<sup>33</sup> The general demands being made by those involved in the Day of Anger were: (1) The downfall of the regime of Hosni Mubarak and his ministers; (2) the cessation of the Emergency Law; (3) freedom; (4) justice; (5) the formation of a new, non-military government with the interests of the Egyptian people at heart; and (6) the constructive administration of all of Egypt's resources.<sup>34</sup> These demands were propelled by the determined and relentless spirit of the Egyptian people who sought to "take to the streets and keep going until the demands of the Egyptian people have been met."<sup>35</sup>

### *We are all Khaled Said*

Perhaps the most inspiring story of the Egyptian revolution is that of Khaled Said, a young Egyptian who was caught filming a bad drug deal handling by Egyptian police and was beaten to death as a consequence. The government tried to cover up the story with claims that Said swallowed and choked on his own drugs, but this was exposed as a patent lie as mass-circulated photos on the internet revealed chilling images of severe beating on the innocent face of Said. Said became an online martyr instantly, gaining more than 500,000 Facebook supporters prior to the protests. The Facebook group members

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<sup>33</sup> Madrigal, Alexis. "Egyptian Activists' Action Plan: Translated" *The Atlantic*. 27 Jan 2011.

<http://www.theatlantic.com/international/archive/2011/01/egyptian-activists-action-plan-translated/70388/>

<sup>34</sup> Ibid.

<sup>35</sup> Clark Estes, Adam. "Anatomy of a revolution: Meet the young Egyptian activists who started it all." *Salon*. 10 Feb 2011.

[http://www.salon.com/news/politics/war\\_room/2011/02/10/egypt\\_youth\\_activists\\_april\\_6\\_kefaya\\_jan25/index.html](http://www.salon.com/news/politics/war_room/2011/02/10/egypt_youth_activists_april_6_kefaya_jan25/index.html)



organized a silent protest whereby the protestors stood five meters apart (as to avert classifications as a 'rally' that would be broken up by police forces), dressed in black, along the sea wall in Alexandria, Khaled's hometown. The protests spread to other Egyptian cities, in a wider movement that symbolized the solidarity of Egyptians against the long-standing Emergency Law, promulgated by Mubarak's regime in 1981. The effect of the national day of mourning for Said was sobering, revealing the deep tensions between the police force of the Mubarak regime and the greater youth population in Egypt.

### *The National Front for Change*

Inspired by the Kefaya movement, the National Front for Change, led by Nobel Peace prize winner Mohammed ElBaradei, was established in early 2010. ElBaradei announced the formation of the new front, which he claimed to be open "to all Egyptians from different political orientations," and that "Its main target will be pushing for constitutional reforms and social justice."<sup>36</sup> The group's message is a general response to the political heist pulled off by Mubarak's regime in the 2004-2005 parliamentary and presidential elections which included constitutional amendments delegitimizing much of the political competition from Egyptian elections. Following the revolution in Egypt, it is predicted that the National Front for Change will likely put up ElBaradei as a presidential candidate in the ensuing 2011 elections.

ElBaradei plays a significant role as the movement's leader, as he has spent 12 years abroad as the director of the International Association of Atomic Energy (IAEA) in Vienna, and thus represents the "ultimate international diplomat"<sup>37</sup> and has uniquely remained above the Egyptian political fray. As the director of the IAEA ElBaradei has also given a hard-line critique of U.S. interests in the Middle East, when he clashed with the U.S. over the claim that there were nuclear weapons at stake in Iraq. The prospect of ElBaradei as a presidential candidate has been welcomed by Egyptians, who see him as a natural leader for their cosmopolitan country.

ElBaradei stands on the platform for economic growth, political reform, and social progress of the National Front for Change, based on the reality of Egypt's failing political system, deepening economic unrest and growing youth unemployment phenomenon. The potential policy parallels amongst the National Front for Change with those of an American vision for a reformed and democratic Egypt are strong, and thus despite ElBaradei's controversial history with U.S. policymakers in the past, the U.S. would be less than coy if they were not able to see the strengths of supporting ElBaradei and the National Front for Change in the coming elections. As told by Stephen Cook of *Foreign Affairs*, "Somewhat paradoxically, ElBaradei's chilly relationship with the United States as IAEA chief only advances U.S. interests now."<sup>38</sup>

## The Future

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<sup>36</sup> Hassan, Amro. "EGYPT: Mohamed ElBaradei forms National Front for Change." LA Times Blogs. 24 Feb 2010. <http://latimesblogs.latimes.com/babylonbeyond/2010/02/egypt-elbaradei-forms-new-front-for-change.html>

<sup>37</sup> Cook, Steven A. "Is ElBaradi Egypt's Hero?" *Foreign Affairs*. 26 Mar 2010. <http://www.foreignaffairs.com/articles/66145/steven-a-cook/egypts-hero>

<sup>38</sup> Ibid.



Although Egypt's youth has much to celebrate with the ousting of the Mubarak regime, there is also much more that they will have to work towards if they are to sustain the goals of the revolution. To start, there must be a thorough review of the Egyptian constitution, as it has been seriously impaired with unjust and undemocratic amendments over the last 30 years of Mubarak's rule. Beyond constitutional reform, Egypt will also have to do much more to include its burgeoning youth population in both the national political system and economy. The newfound empowerment of the youth can decisively change the shape of Egypt's future for the better, bringing new leadership and entrepreneurial skills to bear significant and positive change on Egypt's outdated and crumbling infrastructure.

On March 19<sup>th</sup>, 2011, there was a referendum vote in favor of a military-led transition process and includes a vigorous election schedule. The ruling military party—Supreme Council of the Armed Forces (SCAF)—has indicated that the transition process will happen on a quick timeline, with important legal changes to make elections freer and fairer. There is discussion of opening elections to more parties, subsequently changing many of the requirements for political nomination. Also tabled for change is the electoral system of individual parliamentary districts to a proportional representation system. Such electoral reform would allow a break-up of parliament along the lines of the party's share of the national vote, as compared to the existent measure of giving all the parliamentary seats within a district to the victorious party.

Those who are at the forefront of the political race in Egypt will be those who can win the majority vote of the youth population. The candidate most at large is Mohamed ElBaradei for this reason. ElBaradei's strong critique of the Mubarak regime and clear articulation of the goals of the youth, favoring immediate reforms in the public service and education sectors that will have positive effects on the political and economic structures, makes him markedly different from other potential candidates who have yet to acknowledge the needs of the youth. Although the Muslim Brotherhood has not put up a candidate yet, it is clear that whichever direction the party decides to move in will be influential. It is most likely that the Brotherhood will throw their support behind another party's candidate, keeping its self-conscious and pragmatic stance in the elections that immediately follow the revolution, but not removing itself from politics by any means. The Muslim Brotherhood's fundamental organizing role in the revolution will likely continue in the reconstruction period of Egypt.

Change will not be easy for Egypt; it will likely be awkward and perhaps even be followed by further revolutions if the reforms at stake now do not cut deeply into the causes of current social, economic, and political unrest. The ripple-effect of Egypt's revolution throughout Northern Africa and the Middle-East may have reverse effects other than regime reform. They can simply create widespread violence and even civil war in the region. It is important that the international activist community keep careful watch in solidarity on these revolutions so that unnecessary violence can be averted. The broader international community has an imperative to act as an overseer in national elections, providing the resources necessary to assure free and fair political processes. If further violence spreads in the region (as it is in Libya, Syria, and Bahrain), there is a great risk that innocent lives will be lost if no action is taken, but also another risk that intervention will be politically motivated and taint the integrity of such political and social movements. In this regard, Egypt may be in the end a prime case of how an intensely empowered group, such as the youth of Egypt, can make real change for a nation.

## Conclusions:

In terms of reforms towards a progressive direction in MENA region and Egypt in particular, the approach suggested in this paper integrates poverty and social impact analysis (PSIA) techniques, economic and technical tools of ex-ante and ex-post assessment, and monitoring and evaluation methodologies in a comprehensive approach. Accordingly, it stresses the need for identifying interested stakeholders and asking questions regarding facilitating and coordinating their participation as well as building institutional arrangements that will assure sustainability of the human development process. A related aspect is the need for documenting and analyzing local historical settings. Finally, progress towards collecting data and building a database of relevant indicators, and developing tools of monitoring and evaluation along with the development of the institutional and technical capability of stakeholders fall far short and need to be developed urgently.

As this quick and partial review shows, there are many challenges, but also potentially large positive returns from the adoption of a democratic human development strategy. Among other things, this will also lead to an integration of a green economic development strategy and population dynamics issues in a gender and culturally sensitive manner with equity. This is particularly the case with the youth bulge in many MENA economies including Egypt. In conclusion, it may be useful to summarize the policy challenges as well as opportunities ranging from substantial strategic, data gathering and coverage issues to the implementation of medium term strategies for balanced sustainable human development in this region with special attention to youth groups, particularly women and their basic capabilities. One of the most important items on this agenda from Sen's capabilities perspective has to be the right to reproductive health of women which is also integrally related to their social and economic capabilities and rights.

The first challenge is that of greater involvement of civil society and government actors within the region to create a sustainable economy geared towards creating jobs for the youth. The strategic process needs to identify many diverse groups and activists – particularly among the poorest and the least advantaged – in order to have a truly society wide conversation on the relevance and importance of an integrated development cum environmental strategy. As emphasized before, focusing on renewable energy, agriculture, forestry, tourism and enhanced ecosystem services among others will be a good start for many MENA economies. But such a strategy requires civil society activism for country-specific formulation and implementation. Civil society and private sector efforts need to be complemented by public sector policies such as targeted public expenditures, policy reforms and regulatory changes to promote further socially-oriented investment and initiatives. It is crucial to find new sources of funding that can be used for this purpose. Furthermore, a new trade regime is necessary so that the region can find

markets for their green goods and services exports. Transfer of green technology and knowledge also needs facilitation through international, national governmental and NGO participation.<sup>39</sup>

Related to this, secondly, the interests of those who live in rural areas, more remote regions and are disadvantaged for that reason would need greater representation. The combined disadvantages of gender, location and ethnic identification raise particularly salient issues for widespread deliberation. In this context, the provision of reproductive health care services in environmentally challenged locations assumes great importance. As mentioned before, provision of services to the young females is of particular concern. Investment in adolescents and youth must make a special effort not to leave out young girls and women. Fewer women than men benefit from advanced education and fewer are able to escape poverty. Eliminating child marriage, enabling adolescent girls to delay pregnancy, ending discrimination against pregnant girls, and providing support to young mothers can help ensure that girls complete an education are among the most important policy steps that are needed.

There is an urgent need to design and implement supportive policies that give young people—male and female-- opportunities to reach their full potential and provide all relevant information, including sex-education, and services young people need to protect their sexual and reproductive health and make informed decisions. However, here particularly, the earlier point about political power asymmetries must be recognized. Both in the state and civil society the interests of young people must be represented and their voices and viewpoints must be heard and and given appropriate weight by decision-makers. The ecological and political complexities of these issues---particularly from the points of views of the affected groups must be grasped before action is taken from above(Hartmann 1995; Keysers 1994 and 1996)

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<sup>39</sup> Hasper, Michael. "Green Technology in Developing Countries: Creating Accessibility through a Global Exchange Forum." *Duke Law and Technology Review* 001. 1 January 2009.

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Third, it must be realized in this context that preaching goals or presenting data by themselves will not be enough. At best, they will appear to present cold information without a human face. At worst, there is a danger that they may be perceived as cynical and sanctimonious sermons while the status quo continues. Concrete step-by-step plans of action with identifiable outcomes need to be communicated clearly, and followed through properly.

Fourth, and related to the above, there is a danger of equating government authorship of a strategic plan with society wide ownership. To counteract this, it is not sufficient simply to warn country representatives of the UN about this danger. In all likelihood, many UN agencies are aware of this already. What needs to be done is to persuade and assist the governments who need such assistance by concrete non-intrusive steps: by offering resources, technical help and working with local government and civil society partners closely. This may even lead to a review and recalibration of specific goals, targets and indicators in order to make these more relevant to the needs and realities of particular countries. The example of the Chilean dam project with its environmental and poverty consequences is a good case in point.

Fifth, the above participation of the local civil society partners must not be seen simply as an input to the production of an integrated strategic plan. The further challenge of finding the means to implement the strategies for reaching the goals must include an active dialogue and collaboration with these groups. This will involve mutual monitoring as well as self-monitoring so that a constructive and self-correcting feed back loop can get underway. The role of indigenous knowledge, especially in agriculture, indigenous conservation strategies and modes of cooperation where these still exist should receive the close attention they deserve. Where these are threatened with resulting environmental stress and severe unemployment or underemployment of the youth in moving to a poorly designed or haphazardly introduced integration with the global markets, the proper blend of the local self-sustained community oriented practices with strategic openness to the national and global economies must be discovered through participatory field work and other types of relevant empirical research.

Sixth, the plans need to be seen as documents that are based on solid statistical inputs, but are not themselves statistical reports. Conceptualizing the country strategies as ‘capabilities based’ socio-political manifestos for changing the status quo towards more positive freedoms for all, and particularly the least advantaged, will put in sharp focus the need for direct, honest and substantive documents that can mobilize wide support in society for realizing these goals.

Seventh, having pointed out the need for presenting the strategic plans as statistics based but non-statistical documents, it should be emphasized immediately that many statistical challenges for preparing substantive strategies in the region remain. This is particularly and acutely true for some of the poorest countries. For many countries in Africa, the need for building data gathering

and data processing capacities is urgent. Technical and organizational assistance from outside will be needed; but the emphasis should be on not just short-term skills and resources for the green growth. Rather, strategic investments in training and capacity building need to be made. Specifically, physical and human resources in existing organizations should be enhanced; but further investments must be made at the regional and local levels to build statistical capacity.

In this context, competent interdisciplinary research teams with both domestic and international experts can engage in building integrated information with a basic social accounting matrix approach. Stone had started to move in this direction by posing the problem of integrating demographic data bases with SAM, particularly on the factors and household sub-matrices. Later, some researchers (Khan and Thorbecke 1988; Khan 1983, 1994, 1997a,b; 2004a,b; 2006) pioneered the integration of energy and environmental factors in the SAM. This process can be furthered in a systematic way for use in informed policy analysis of employment creation for the youth in particular. For instance, integrating demographic data bases with production and technology sectors in the SAM over time can be used to answer policy questions such as what technologies and productive sectors will have the greatest impact on youth employment and income generation for the households which have large numbers of young people. Disaggregating the factors and household sub-matrices can help us both identify the types of green jobs( and other jobs) and the consumption patterns. Various types of models can be built to conduct different policy interventions on tax and transfer schemes, investment, environmental projects, reproductive health of women and other related interventions.

Preliminary work done in the context of Indonesia, Bangladesh, India and South Africa show that relatively labor-intensive and environmentally less stressful technologies can create more jobs overall as well as jobs for the youth than the relatively capital intensive technologies. Policies to encourage the private sector investment towards the former type of pro-youth green technologies need to be explored and implemented further in the context of the MENA region.

A practical approach, given the current resource constraints for the region---Egypt in particular-- and the UN will be to pick a few pilot studies countries first. For example two countries in North Africa and two in the Middle East can be such a start-up group. Teams of domestic and UN sponsored researchers with appropriate technical skills can be set up for each country with an overall technical coordinator. Starting with input-output, household income and expenditure and labor force surveys and the basic national income accounts statistics a SAM with adequate identification of poor households can be set up. Next the environmental and demographic statistics can be integrated with the basic SAM to create Environmental-Demographic Human Development SAMs (EDHDSAMs). This pilot stage can be accomplished in two years and evaluated for extension to all of the region in the next phase.

Eighth, as observed with regards to most countries in the MENA region, there is a need for disaggregation of data by gender, ethnicity etc. in addition to locations. Given the substantive importance of these categories in terms of identifying and measuring the deprivation of crucial

capabilities suffered by many groups, a disaggregation scheme that preserves the basic idea of looking at functioning and capabilities of people, but is customized according to the specific features of a particular country, needs to be worked out. Here the conceptual task, field work and capacity building can proceed together, reinforcing one another.

Ninth, flowing out of the previous points is the need for more active and concrete global cooperation. Having well-defined goals, targets and indicators can be a good starting point. But delivery of concrete results on the ground is the ultimate test of what value is really being added. Concrete steps in identifying and improving upon problems in using aid, trade and other forms of international economic relations for enhancing the productive capacity and standard of living of the people in the region must be taken. An intensification of these efforts can lead to concrete practical results in terms of making progress towards creating capabilities for the youth and gender justice.

Finally, there is a need to contextualize policy discussions by moving the discussions regarding country strategies beyond reporting from data and towards the utilization of other additional qualitative sources. Using these sources, better connections between policies and progress towards meeting policy goals could be made.

In conclusion, it should be underlined that even this rather large list is necessarily partial. The thinking about an integrated population and environment strategy is still in an early state of evolution. As new initiatives and forms of cooperative action emerge at various levels there will be a need to go back periodically and reevaluate the country experiences and strategies based on these experiences. The importance of pursuing the integrated strategies through a genuine blend of domestic and international actors with concrete and contextual national ownership, is undeniable. Such a strategy has already registered some modest successes internationally in overcoming 'aid fatigue' and other impediments to development to some extent in the post-Cold War environment. Within specific countries and in specific green technology areas there are some local success stories. The challenge is to broaden and deepen the areas of success and to avoid the past mistakes such as the ones in Chile or in India's Narmada valley projects. With such an approach complemented by genuine global cooperation and domestic political will, new and better strategic actions can also be launched, thus converting the challenges into real opportunities for meeting the goals of enhancing the capabilities of the youth. The quality of life of the majority of the Earth's population may depend on whether this conversion of challenges into opportunities and concrete plans of action takes place within the next few years. The key to achieving this, in addition to the localization of goals, targets and strategies, is to follow concretely the type of cooperative strategy that is embodied in the three "pillars" of sustainable development.. Starting with this orientation, strategy-based diagnostics, investment and planning services can be geared to the needs of individual countries and further progress can be made towards widening access to policy options and strengthening the national capacity to deliver.

Thus building on other experiences of participatory assessment of different policies, the approach I advocate, besides producing empirical analysis, is intended to engage all actors involved (government, business, labour, and civil society institutions representing different segments of the population, in particular women) in active participation. This is where movement towards deepening democracy in the sense discussed in part I of this paper requires strengthening. In this context, the analysis of the situation in Egypt reveals the complexities of a transition towards a regime of genuine human development in the sense of capabilities enhancement.

There is no simple way to sum up the ongoing processes that are unfolding from below in Egypt--and one suspects in many other parts of the world. In conclusion it is worth emphasizing that a deeper, more critical theory that links political and social economic analysis with the possibilities of social movements for capabilities enhancement is essential to avoid superficial readings of these movements. While there is much to be critical about these movements *per se*, the very existence and evolution of these movements demonstrate the contradictions of global capital during its neoliberal policy phase. As Cafruny and Ryner point out in the context of EU, the need for a critical political economic analysis remains as salient as ever.

That such[progressive] alternatives have gained so little traction in the face of massive economic dislocation points rather to the underlying power realities of the contemporary European project and the diminished stature of the Left throughout Europe. The crisis of the eurozone is an object lesson in the power of capital to determine the nature and scope of integration. Notwithstanding their theoretical neutrality and independence, European institutions have served this power whilst foreclosing prospects for genuine European solidarity. The crisis is deepening conflicts among member states and weakening public confidence in the Union.<sup>40</sup>

The study of Egypt also supports the theory presented here. It also exposes the difficulties of popular movements to articulate a coherent deeply democratic strategy without clarity about class and gender issues in particular. While avoiding narrow, sectarian and dogmatic class analysis, a new deeper, richer analysis that addresses the complexities of the economy, polity and society in the 21<sup>st</sup> century global political economy is required. The current analysis is best viewed as a first tentative step towards this goal.

In Egypt, this means that politically a democratic platform and organization is a prime necessity if the revolution is to lead to genuine capabilities enhancement. Inter alia, such a movement will follow an economic strategy of growth plus poverty reduction. But beyond this, the increase of well-being of all marginal members of society, particularly women is a must. For Egypt, it will also mean rethinking the neoliberal strategy and adopting a more heterodox political economic strategy along the lines outlined in part II of this paper. In attempting such progressive reforms Egyptians will need the help from all progressive governments, NGOs, intellectuals and activists from all over the world. This is the ultimate global challenge for capabilities enhancement thrown up by the Egyptian revolution.

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<sup>40</sup> See Cafruny and Ryner(2011) p.25.

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## Appendix 1: A Historical Background to Capabilities Approach

It is no less true of economics than in real life that fads and fashions have a peculiar hold on modern imagination. Perhaps the prevalence of such ephemeral fads and fashions led Robert Frost to proclaim in his poem ‘The Black Cottage’:

*... why abandon a belief*

*Merely because it ceases to be true.*

*Cling to it long enough, and not a doubt*

*It will turn true again, for so it goes.*

*Most of the change we think we see in life  
Is due to truths being in and out of favor.*

The rediscovery of a more ‘objective’ social capabilities perspective in development economics is a good case in point. The transition from classical Bentham-Mill type of utilitarianism to a modern Paretian subjective utility was completely triumphant by the 1930s when Robbins launched his devastatingly successful challenge against interpersonal comparison of utility. Subsequent work by Bergson and Samuelson on social welfare functions attempted a new type of normative evaluation of economic states; however, Arrow’s impossibility theorem, at least in its initial trajectory, seemed to many to have destroyed the analytical basis for any normative welfare economics whatsoever.

It was the brilliant analytical work of Sen in his *Collective Choice and Social Welfare* that raised a number of deep questions that led to a reappraisal of the whole utilitarian approach and eventually to the rediscovery of the capabilities approach. As Sen himself has graciously pointed out,<sup>41</sup> his initial insights regarding capabilities came from reading Adam Smith. In a number of essays on poverty--- some of which came out from the ILO in about 1976--- Sen explored the ‘Smithian’ view that there are ‘functionings’ of individuals in society. Sen also showed that such functionings cannot be simply expressed as utilities without the risk of serious distortion and confusion. Subsequently, Martha

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<sup>41</sup> See H.A. Khan (1992), ‘A Conversation with Amartya Sen’, NYC: The Voice of Bangladesh.

Nussbaum has traced the Aristotelean connections of functionings and capabilities, and Khan has pointed out the Hegelian and Marxian elements in a fully social conceptualization of capabilities.

Since the revival of the idea of capability, there have been empirical applications and an interest shown by policymakers who are serious about reducing poverty and increasing the well-being of people through the process of economic development. The most notable example is the idea of a human development index or the HDI, promoted by the UN. Although the correspondence between a rigorous conception of capabilities and the HDI is not exact, and conceptual problems remain, the reach of the concept has already gained broad appeal.

During the late 1980s and 1990s Sen explored further the connections between capabilities and ‘positive’ freedom. These explorations culminated first in a masterly monograph<sup>42</sup> and in 1999, a magisterial statement on development which, as Sen argued forcefully and imaginatively, is really (positive) freedom.

This brief historical introduction cannot do justice to the depth and complexity of this ‘new’ approach to development. In the rest of this chapter, I intend to explore a few dimensions of the concept beginning with Amartya Sen’s pioneering contributions. This is the theme of the next section (section 2). In section 3, I look at clarifications by Nussbaum and others and offer a list of important functionings that can be included in the capabilities set. Section 4 builds on this by exploring the transition from a utilitarian welfare economics to a fully social capabilities based ethics for a just development. Section 5 goes further in the direction of concretizing the idea in a Hegelian sense by discussing the role of a network of social, economic and political institutions in creating social capabilities. This allows us to develop the argument that freedom is to be viewed dynamically as the development of appropriate social capabilities embedded in social, economic and political institutions. The following section then presents an example of a concrete area of application--- namely, the problem of developing women’s capabilities as an important aspect of global justice--- in order to illustrate the practical relevance of the capabilities approach.

The final, concluding section summarizes and reflects on the future of the social capabilities approach as an evaluative framework for development economics.

## 2. THE PIONEERING CONTRIBUTIONS OF AMARTYA SEN

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<sup>42</sup> Sen 1992. *Inequality Reexamined*

One way to enter into a discussion of capabilities is via a critique of alternative approaches. Another, more positive and direct way, is to consider the meaning of normative concepts such as 'equality. Here I will take the second, more direct route.

In his preface to *Inequality Reexamined*, Sen himself is quite forthright:

The central question in the analysis and assessment of equality is, I argue here, 'equality of what?' I also argue that a common characteristic of virtually all the approaches to the ethics of social arrangements that have stood the test of time is to want equality of *something*---something that has an important place in that particular theory. Not only do the income egalitarians... demand equal incomes, and welfare-egalitarians ask for equal welfare levels, but also classical utilitarians insist on equal weights on the utilities of all, and pure libertarians demand equality with respect to an entire class of rights and liberties.<sup>43</sup> (Italics in the original)

Sen's answer to this question, 'equality of what?' is that what we need to equalize is not income or utility, but capabilities. His argument on the positive side proceeds from a recognition of individual diversities and the different abilities of particular individuals to convert income, resources or commodities to actual functionings. Here, it may be useful to distinguish between functionings and capabilities. Individual functionings are distinctive levels of doing certain things or living a particular aspect of life. For example, the level of nourishment or general state of health. Capabilities can be thought of as a set of all potentially available functionings that are achievable for a particular person with a certain amount of resources. A person may then choose a vector of maximal functionings from the set.<sup>44</sup> Thus, underlying the capabilities perspective is a respect for individual diversities. At the same time, the principle of equalizing capabilities, in Sen's analysis of development leads to a policy of redistributing resources towards certain socially and economically disadvantaged groups--- women, in particular.

Sen's focus on diversity is quite clear. He states:

...the diversity of spaces in which equality may be demanded reflects a deeper diversity, to wit, different diagnoses of objects of value--- different views of appropriate notions of individual advantage in the contexts in question....Liberties, rights, utilities, incomes, resources, primary

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<sup>43</sup> Sen 1992. *Inequality Reexamined*, p.ix.

<sup>44</sup> Or, to be more general and cover all possibilities consistent with mathematical set theory, there may be more than one best element as well.

goods, need-fulfillments etc., provide different ways of seeing the respective lives of different people, and each of the perspectives leads to a corresponding view of equality.<sup>45</sup>

The sheer beauty of Sen's argument is that he then focuses on individual diversities to pinpoint the role of capabilities as a more encompassing and fundamental space in which inequality comparisons can and should take place. In a sweeping fashion capabilities are then connected with rights, justice and ultimately freedom.<sup>46</sup>

Just as wealth creation is to be judged by the yardstick of capabilities creation, poverty or deprivation in general is also redefined as not just inadequate income, but as more fundamental inadequacies of capabilities. Since poverty reduction is considered by some to be the central problem of development<sup>47</sup>, it is worthwhile to discuss this further.

There is by now a vast literature on measurement of poverty. Theoretically, the seminal paper was Sen's 1976 axiomatization and the associated index that attempted to bring together the headcount ratio, the income gap ratio and income inequalities among the poor within a consistent axiomatic framework. Since then, as stated above, Sen and others following him have moved in the direction of a multidimensional approach to poverty as inadequate capabilities

The general intuition behind poverty measurement is that 'poverty' exists when a group of people in a particular society cannot attain a 'minimum' level of well-being. The 'minimum' is at least partly dependent upon the prevailing standards of society. However, there are dimensions of well-being such as nutritional requirements that might actually constitute an absolute biological minimum. The idea behind absolute as opposed to relative poverty is that by using generally agreed upon minimum standards of well-being, we can, in fact, define an income poverty line. Such income poverty line gives the cut-off point below which everyone is deemed to be poor. The key questions in applying this idea of poverty for applied policy issues are:

2. How do we assess well-being?
3. How do we decide on a certain poverty line so that when a poor person crosses that threshold s/he is no longer poor?

These are the questions which ask us to identify who the poor are. Therefore, this can be called, using Sen's terminology, the "identification" of poverty. As a second step, the total

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<sup>45</sup> Sen. 1992, p.25

<sup>46</sup> See Khan 1998, ch. 7 for a discussion and critique of some these positions and connections.

<sup>47</sup> Of course, not everyone agrees. See, for example, Hayami (2003).

picture of poverty is arrived at by aggregating. Hence, Sen's coinage of the term "aggregation problem". Head count ratio is one obvious example in which one simply counts the number of people below the poverty line and then divides this number by the total number of individuals in a particular society.

In terms of identifying the poor through the setting of the poverty line, a number of issues can arise. The following four questions are one way of raising some these issues (Fields 2001):

1. Is the basis income or consumption, and how comprehensively will either one be measured?
2. What is the income-receiving unit: individual, family, per capita, or adult equivalent?
3. Will there be a single poverty line or will there be separate ones for urban and rural areas or different regions of the country?
4. Is the poverty line income determined scientifically, politically, subjectively, or as a matter of convenience?

In terms of both identification and aggregation of poverty, the procedure depends partly on axiomatizing the concept of poverty so that any particular measure has a number of desirable properties. The most common axioms are focus, anonymity, population homogeneity, monotonicity or strong monotonicity, and distributional sensitivity. Among the commonly used indexes, the head count ratio fails both the strong monotonicity and distributional sensitivity axioms. Converting the various axioms from the space of income to the space of capabilities makes comparison more difficult although, as seen above, the approach is conceptually appealing.<sup>48</sup>

Sen (1999) suggests several ways of comparing capability information as a way out of such difficulties. First, there is the *direct approach*. One might be able to examine directly the vectors of functionings and capabilities. In some cases, if one is lucky a total comparison ranking all such vectors of functionings and capabilities with respect to one another in terms of poverty may be possible. However, in many instances one may not be so lucky. Even then, a partial ranking of some vectors of functionings and capabilities compared with the others may be possible. Finally, one may wish to emphasize a particular dimension such as health. Sen calls such exercises '*distinguished capability comparison*'.<sup>49</sup> Notice that if the particular dimension chosen is income, then we are back to comparing income poverty.

Secondly, there is *the supplementary approach*. The supplementary approach makes use of standard traditional procedures of comparison in income space. However, such comparisons are supplemented by information on functionings or capabilities. An example will be the augmentation of the World Bank's one or two dollars a day poverty analysis with information on longevity, literacy, women's status etc.

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<sup>48</sup> For a discussion of some of these problems see Sen (1992,1999), Khan and Sonko (1994) and Khan and Parvin (1984),

<sup>49</sup> See Sen (1999), pp.81-85

Finally, a third approach which is more ambitious than the supplementary approach relies on the notion of some adjustment to income. Sen mentions that '... family income levels may be adjusted downward by illiteracy and upward by high levels of education.' In his work connecting environmental damage with inequality and poverty, Khan (1997) uses a concept of *adjusted income* where a monetary equivalent of environmental damages is subtracted from everyone's income. He then goes on to show that even if these damages are distributed equally--- a conservative 'equality of misfortunes' assumption--- under the standard axioms of inequality and poverty comparisons both inequality and poverty as measured under the adjusted income distribution is in almost all cases larger than in the unadjusted case. Thus this third approach, called the indirect approach by Sen, can be of use as well.

It seems reasonable to conclude from the above discussion that in spite of some measurement problems, the concept of capabilities as advanced by Sen, could be operationalized, at least partially. There were, however, some need for further conceptual clarification of the initial formulation of capabilities as well. This is where the contributions of Nussbaum and others become relevant. I now turn to a brief discussion of these and some related issues.

#### 4. CLARIFICATIONS BY NUSSBAUM AND OTHERS: CONNECTIONS WITH ARISTOTLE, HEGEL, MARX AND FOUCAULT

In a number of influential and insightful contributions Martha Nussbaum has developed an Aristotlean interpretation of capabilities. The connections between capabilities and a distinctly Aristotlean conception of human flourishing are indeed striking. Later in this section I will discuss a list of general capabilities drawing upon both Sen and Nussbaum. The Aristotlean connections, I hope will become quite clear through this exercise in comparison and contrast.

In *Technology, Development and Democracy*, I have pointed out some Hegelian connections as well. In particular, the Hegelian conception of freedom as an interactive arrangement in society where concrete institutions of family, civil society and state all play definite roles seem a specifically modern way of viewing the possibilities and limits of human flourishing in a liberal society based on private property. Hegel's *Philosophy of Right* is a landmark contribution, in this sense, to the elucidation of the problem of freedom in modern societies.

If we turn now to the equally interesting thesis of Gilbert (1990) that Marx was an Aristotlean in his critique of alienation, it can be seen that such a conception of the theory of alienation supports the emphasis on the capabilities as non-alienated set of qualities that are potentially attainable, but may actually be by and large unachievable under the existing institutional arrangements. Gilbert points out that in some parts of *Capital* Marx "... compared productive activity in general with labor under capitalism in a purely Aristotlean way." Marx's characterization of Milton's labors on the *Paradise Lost* as self-motivated, non-alienated labor

and his contrast of such labor with that of a hack writer who writes only for the money he receives from the capitalist publisher underlines the good of genuine life-affirming labor. Ironically, in real life under capitalism and in bourgeois political economy Milton's labor is 'unproductive',<sup>50</sup> while the hack is a 'productive' wage-laborer.

In *Capital*, Marx shows how the accumulated dead labor in the form of capital dominates workers. Workers are mere means of further accumulation. Under the sign of capital death dominates over life and denies the workers the necessary opportunity to realize their potential to be free, creative beings. As Gilbert points out, Marx's seemingly nonmoral starting point of analyzing commodities ultimately leads to a moral critique of capital as a social relation. Interestingly, a *qualitative labor theory of value (QLTV)* that is being currently developed by a group of thinkers who are of Hegelian orientation as well would seem to imply such a moral critique as well.<sup>51</sup> In particular, going beyond abstract labor means recognizing the use value/exchange value distinction as emerging in a historically specific, alienated and alienating mode of production. Going beyond such a distinction ultimately means going beyond the value form itself in the political economic sphere, or rather more broadly, a transvaluation of values<sup>52</sup> in a society of the future that can result from a transformation of capitalist social relations historically.

Taking the QLTV as the central explanatory framework and connecting it with eudaemonism can also help illuminate Foucault's important insights about the societies of discipline and control that form a part of his critique of modernity. From this point of view such developments are consistent with the reproduction of the value form under the domination of capital. Foucault shows how the discipline of the army served as the model for discipline in the factory. In fact, for Foucault, virtually every institution is permeated with this disciplinary mode of functioning until a more subtle and manipulative system of control can be developed.

Foucault's concept of bio-power<sup>53</sup> is a particularly powerful way of characterizing how the production and reproduction of life itself can become an object of control under capitalism. In *Discipline and Punish*, Foucault analyzes in detail how the human body can be objectified. The fundamental goal of the disciplinary power was to create a "docile body". At the same time, this docile body also needed to be a productive body. Looked at from the perspective of QLTV, this implies nothing less than the total alienation of flesh and spirit. Once again, the problem from the human point of view---in spite of the ironically avowed "anti-humanism" of early Foucault----then becomes: how to overcome this alienation?

We now turn to this problem. If, as I have argued so far, the abolition of alienation requires the abolition of capital as a relation of domination, can QLTV throw any light on how to abolish capital as a social relation? Could capabilities then be reconstrued in a more radically

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<sup>50</sup> That is, under the strict assumption that no wage payments were made.

<sup>51</sup> Gilbert (1990) ch. 7.

<sup>52</sup> The Nietzschean language is intentional. A radical interpretation of both Marx and Nietzsche can find much that is in common in ethics between these two revolutionary thinkers of the nineteenth century.

<sup>53</sup> See Foucault (1978, 1980, 1994) and Dreyfus and Rabinow (1992). Foucault's debt to Nietzsche as far as the exploration of biopower among other things, through a genealogical study is concerned, has been acknowledged by Foucault himself.



critical way by following this Aristotlean-Hegelian-Marxian connection? In the rest of this chapter, I show that this can be done and explore the further implications of this move for development theory and policy. In what follows, I first give a characterization of capabilities following Sen, Nussbaum and others. I then discuss the fully social and political nature of these capabilities.

Capabilities can be construed as general powers of human body and mind under specified social, economic and political structures that can be acquired, maintained, nurtured and developed. They can also (under circumstances such as malnutrition or severe confinement) be diminished and even completely lost. I have emphasized elsewhere the irreducibly social (not merely biological) character of these human capabilities. Sen himself emphasizes "a certain sort of possibility or opportunity for functioning" without always carefully specifying the institutional setting.

In order to assess the critical reach of such a fully social capabilities perspective we need to go further and try to describe more concretely what some of the basic capabilities may be. David Crocker has given an admirable summary of both Nussbaum's and Sen's approach to capabilities in a recent essay. Mainly relying on Nussbaum but also on other sources (shown below), he has compiled a list that is worth reproducing here:

Basic Human 'Social'<sup>54</sup>Capabilities (N and S stand for "Nussbaum" and "Sen", respectively; the quoted items come from Nussbaum unless otherwise noted).

1. Capabilities in Relation to Mortality

- 1.1. N and S: "Being able to live to the end of a complete human life, so far as is possible"
- 1.2. 1.2. N: Being able to be courageous

2. Bodily Capabilities

- 2.1. N and S: "Being able to have good health."
- 2.2. 2.2. N and S: "Being able to be adequately nourished."
- 2.3. N and S: "Being able to have adequate shelter"
- 2.4. 2.4. N: "Being able to have opportunities for sexual satisfaction"
- 2.5. N and S: "Being able to move about from place to place"

3. Pleasure

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<sup>54</sup> My usage of social is akin to Gilbert's (1990) use of 'social' in social theory. Important political features are also included in the category of 'social'. However, as above, I will use 'social and political' also to underline the salience of both political ideas and practices.

- 3.1.N and S: "Being able to avoid unnecessary and non-useful pain and to have pleasurable experiences"
- 4. Cognitive Virtues
  - 4.1. N: "Being able to use the five senses"
  - 4.2. N: "Being able to imagine"
  - 4.3. N: "Being able to think and reason"
  - 4.4. N and S: "Being acceptably well-informed"
- 5. Affiliation I (Compassion)
  - 5.1. N: "Being able to have attachments to things and persons outside ourselves"
  - 5.2. N: "Being able to love, grieve, to feel longing and gratitude"
- 6. Virtue of Practical Reason (Agency)
  - 6.1. N: "Being able to form a conception of the good"
    - S: "Capability to choose ; "ability to form goals, commitments, values
  - 6.2. N and S: "Being able to engage in critical reflection about the planning of one's own life"
- 7. Affiliation II (Friendship and Justice)
  - 7.1. N: "Being able to live for and to others, to recognize and show concern for other human beings, to engage in various forms of familial and social interaction"
    - 7.1.1. N: Being capable of friendship
      - S: Being able to visit and entertain friends
    - 7.1.2. S: Being able to participate in the community
    - 7.1.3. N: Being able to participate politically and being capable of justice
- 8. Ecological Virtue

- 8.1. N: "Being able to live with concern for and in relation to animals, plants and the world of nature"
  
- 9. Leisure
  - 9.1. N: "Being able to laugh, to play, to enjoy recreational activities"
  
- 10. Separateness
  - 10.1. N: "Being able to live one's own life and nobody else's"
  - 10.2. N: "Being able to live in one's very own surroundings and context"
  
- 11. Self-respect
  - 11.1. S: "Capability to have self-respect"
  - 11.2. S: "Capability of appearing in public without shame"
  
- 12. Human Flourishing
  - 12.1. N: "Capability to live a rich and fully human life, up to the limit permitted by natural possibilities"
  - 12.2. S: "Ability to achieve valuable functionings"

As Crocker correctly points out, we can facilitate this ordering by requiring that ‘... it might be better for practical rationality and affiliation to "infuse" but not "organize" the other virtues.’ Crocker contrasts Nussbaum's approach with Sen's. Sen's and Nussbaum's lists differ at a few points. For Sen, the bodily capabilities and functionings are intrinsically good and not, as they are in some dualistic theories of the good life, merely instrumental means to other (higher) goods. In interpreting Aristotle, Nussbaum distinguishes between bodily functionings that are chosen and intentional, for instance, "chosen self-nutritive and reproductive activities that form part of a reason-guided life" and those that are non-intentional, such as digestion and other "functioning of the bodily system in sleep".

Furthermore, Nussbaum has included items such as "being able to have attachments to things and persons outside ourselves" and "being able to live with concern for and in relation to animals, plants

and the world of nature", for which Sen has no counterparts. These items are welcome features. Item 8, "ecological virtue", is an especially important addition to Nussbaum's outlook. In a period when many are exploring ways of effecting a convergence between environmental ethics and development ethics, it is important that an essentially anthropocentric ethic "make room" for respect for other species and for ecological systems. Worth considering is whether Nussbaum's "ecological virtue" is strong enough. Perhaps it should be formulated to read: "Being able to live with concern for and in relation to animals, plants, and nature as intrinsically valuable." Item 9 injects some appealing playfulness in a list otherwise marked by the "spirit of seriousness." What explains the presence of these items on Nussbaum's list, their absence on Sen's list, and, more generally, the more concrete texture often displayed in Nussbaum's descriptions? One hypothesis is that the differences are due to Nussbaum's greater attention to the limits, vulnerabilities, and needs of human existence. Further, it may be that Nussbaum's richer conception of human beings derives from making use of the story-telling imagination far more than the scientific intellect." On the other hand, Sen helpfully includes the good of self-respect, a virtue that enables him to find common ground with Rawls and to establish links with the Kantian ethical tradition, in which moral agents have the obligation to respect all persons, including themselves, as ends-in-themselves .

Both Sen and Nussbaum agree, however, that these capabilities are distinct and of central importance. One cannot easily trade off one dimension of capability against another. At most, one can do so in a very limited way. They cannot be reduced to a common measure such as utility.

As Crocker points out, "capability ethic" has implications for freedom, rights and justice going far beyond simple distribution of income considerations. If one accepts the capability approach as a serious foundation for human development, then it follows that going beyond distributive justice is necessary for a complete evaluation of the impact of economic policies.

In evaluating any policy regime --- for instance international financial regimes and national economic policies under globalization --- from this perspective not only do we wish to pose the question of efficiency but also the whole set of questions regarding human freedom. In particular, the positive human freedom to be or to do certain things. Thus, creation of markets and efficient production by itself would mean very little if it led to a lopsided distribution of benefits. Worse yet, if markets and other institutions led to phenomena such as reduced life expectancy, increased unemployment, reduced consumption levels for many and deprivation for certain groups such as women and minorities then they will not even be weakly equitable global economic structure. On the contrary, under such circumstances, the global markets and other financial institutions will be strongly inequitable from the capability perspective.

It is because of this perspective that the existing positive analysis of the problems of global financial markets and institutions need to be put in a completely transparent “social capabilities” framework.<sup>55</sup> Such a framework is openly normative and makes a strong ethical case for helping the disadvantaged increase their capabilities towards achieving equality of capabilities. Thus, for instance, poorer nations and poor people in the global economy deserve a special ethical attention within any proposed global financial architecture. As Khan (1998) shows in the context of adopting innovation structures leading to increased productivities, ultimately the aim of any increase in productivity needs to be the increase of freedom. Such freedom, as Sen (1999) points out has both an instrumental value and an ultimate value. Instrumentally, freedom as social capabilities can lead to a further increase in productivity. Thus even a hard-nosed, efficiency driven analysis must address this aspect as an empirical issue. Therefore, an Aristotelian interpretation of Sen- Nussbaum conceptualization of capabilities can go a long way towards a social democratic regime of development as freedom, and this is much to be applauded. However, pushing the concept of social capabilities in the Hegel-Marx direction of overcoming alienation by achieving freedom as a concrete universal requires a very radical form of global social democracy. I now turn to a demonstration of this thesis.

## 5. FROM UTILITARIAN WELFARE ECONOMICS TO A SOCIAL CAPABILITIES BASED ETHICS

The utilitarian tradition in economics, as Sen correctly reminds us is based on three distinct components. One of these is consequentialism. All choices of actions, rules, institutions etc. must be judged by the consequences of the particular choice made. In this sense, consequentialism is merely results oriented. It does, however, rule out purely or exclusively rights- based or deontological decision rules. A second constituting element of utilitarianism is what Sen has termed ‘welfarism’. According to Sen welfarism ‘...restricts the judgments of state of affairs to the utilities in the respective states...’Combining welfarism with consequentialism, one can derive the proposition that ‘...every choice must be judged by the respective utilities it generates.’

Finally, the third element, namely, sum-ranking of utilities imposes an aggregation scheme whereby utilities of different people can simply be summed together without bothering about their distribution over the entire population. This neatly sidesteps who gets what; but it is clearly the greatest good under the three conditions when utility is the only good to consider. Notice that Robbins attacked the classical utilitarian idea of interpersonal comparability and by implication sum-ranking of utilities in the 1930s. But the alternative, radically subjective view of personal utility also sidesteps the issue of distribution. No two Pareto optimal states are, strictly speaking, comparable. In general equilibrium theory the second theorem of welfare economics merely states that under a suitable redistribution of

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<sup>55</sup> See Khan (2004, forthcoming) for advocating an approach in this spirit with regards the role of globalization. Khan (1997) applies this framework to an evaluation of trading regimes from the point of view of economic justice in Africa in particular.

initial endowments, every Pareto optimal state can be achieved as a competitive equilibrium. However, there is no bias towards---or, for that matter, against--- an egalitarian distribution.

What Sen's more radical critique of utilitarianism and his replacement of utility with capabilities have done is to change the paradigmatic terms of discourse. It is no longer necessary to debate the various meanings of utility and what the distribution of utilities should be. The talk about utilities has been replaced by talk about positive, concrete freedoms, as the Sen-Nussbaum list of capabilities above demonstrates.

With this radical shift of the terrain of discourse, however, there is also a set of new questions that arises. What are the social, political and economic conditions under which capabilities are best promoted for all the people in an equalizing direction. Both the levels and distribution of capabilities are important. Perhaps responding in an indirect way to earlier criticisms Sen has outlined the 'perspective of freedom' more definitely. Freedom is important both for *evaluative* and for *effectiveness* reasons. Evaluation of societies by the actual amount of substantive freedoms enjoyed by people is radically different from using utility, procedural liberty, real income etc. *Effectiveness reason* rests on Sen's claim that freedom enhances the 'agency' of the individual leading to greater individual initiative and social effective social participation. Thus freedom can be viewed as both the primary end and the principal means for development. Sen also gives a five fold classification of instrumental freedoms as consisting of political freedoms, economic facilities, social opportunities, transparency guarantees and protective security. In the rest of this section I argue that a perspective of global 'deep democracy' consistent with Sen's characterization of freedom leads us to a consistent critique of the existing political and socioeconomic arrangements globally. Following the enlightenment project as formulated by Kant, and the critique of Kantian understanding by Hegel, and finally, the 'this-sided' worldly critique of Hegel by Feuerbach and the dialectical critique of Feuerbach's onesided materialism by Marx takes us to a questioning of the existing institutions when these fail to promote and equalize social capabilities. The theory of 'deep democracy' captures many of these concerns.

Building on both the contributions of classical thinkers from at least Rousseau onwards, but also on modern theories of participatory and strong democracy advanced by scholars such as Barber deep democracy advances the thesis of equalization of capabilities as a central concern of global economic justice. Most important from this perspective is the work by scholars such as Alan Gilbert (1990) on radical democracy that is internationalist and welcomes mass activism.

Extending the important earlier work of Gilbert, Khan (1992, 1993a,b; 1995, 1998, 2004a,b) in a number of essays and books establishes the claim of equalizing social capabilities along with global justice as central elements of a sufficiently rich conception of democracy

which respects the rights of citizens underlying the core concept of democracy. Conceiving rights following Sen as 'goal rights' is one way to defend the centrality of capabilities. Another way is to view these rights--- most importantly, the right to self-determination--- as self-sustaining if and only if movement towards equalization of capabilities can be sustained globally. Extending Gilbert's cluster conditions for democracy<sup>56</sup> Khan (1992, 1998) establishes that three clusters are of particular significance. The political cluster begins with formal democratic principles of universal suffrage and elections, but does not stop there. Although this 'formal democracy' must be defended vigorously, it is seen as one aspect of a deeper form of democracy that various polities are moving towards.

In order to gain insight into these deeper form, we need to ask what conditions can sustain freedom which is the core idea underlying democracy. The answer is that as soon as freedom is conceived positively and not just as mere absence of coercions, capabilities come to the fore. However, probing deeply into the project of enhancing and equalizing the capabilities of citizens even in a rough, practical sense economic and cultural conditions come to be seen as crucial. For example, education, including critical ethical and political education is recognized as of utmost importance. In so far as democratic movements for a just society have been schools for political education--- say, starting with at least the political movements from 17<sup>th</sup> century onwards including major movements in the 20<sup>th</sup> century and the new social movements of this century--- these are not just disruptive moments, but are complex struggles where much political learning about freedom takes place. Thus deep democracy will necessarily involve a continuous engagement with the past, present and future of the democratic movements in a pluralistic context. Periodic individual and mass nonviolent civil disobedience movements will of necessity be part of a deep democratic agenda.

Economically, the provision of leisure time for both personal private interest and the exercise of citizenship responsibilities will be necessary. Work place democracy is also a salient condition, since production is socially necessary and will occupy a certain amount of time for all able bodied and mentally competent adults. The capabilities literature has not always been clear on this point. However, it is logical to think that a person's capabilities will suffer deprivation if working conditions do not allow discussion, participation and 'ownership' of work conditions. The literature on flat organizations in knowledge economy generally makes a case for the newer 'intellectual' labor to be treated in this way; but the social capabilities approach leads to the conclusion that all work in organizations large and small should be treated this way so that work place alienation can be overcome without necessarily using labor saving capital-intensive technologies.

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<sup>56</sup> see also Kateb (1984).

Overcoming alienation also requires a vibrant culture where artistic and other forms of individual and collective expressive activities are as open as possible. Capabilities in this dimension are vital for the protection of democratic values and practices, since these also involve internalization of mutual respect, integrity, tolerance and creativity. It can also be seen that using the advances in cognitive, social psychology and some schools of psychoanalysis capabilities can be further advanced through a therapeutic approach to social problems. A 'postmodern' insight is also the need to recognize the limits to certain types of economic growth. As Daly and others have pointed out the scale of production counts in a globalized, interdependent planet in a significant way. Ecological issues will often require a just global democratic procedure for deliberation and policymaking. In short all of the cluster conditions---political, economic and cultural--- require a theory of global justice as an underpinning and justification.

Khan (1998) has proposed such a theory in the context of a postmodern world by building on elements of Rawls and Sen. In brief outline the structural forces in the global economy push towards integrating markets and regions. However, many markets are embedded in national economies; there are also non-market aspects of social and cultural lives of people that are threatened. As a result we find the contradictory phenomena of McWorld and Jihad (Barber, 1995). The creation of a genuine global society, which many see as the ultimate outcome of globalization then necessitates meeting the requirements of global justice. Khan (1998) mentions at least 5 areas, where the norms of global justice must evolve (among others):

1. *International trade and monetary regimes:* The current asymmetric system of payments which penalizes the deficit countries by forcing only them to bear the costs of adjustment needs to be made a global burden sharing institution. The World Trade Organization, similarly, needs to acknowledge the historical imbalances in the world trading system. For example, specialization according to static comparative advantage may lock the developing countries in a relatively backward situation in the emerging global division of labor.
2. *International capital flows:* From the perspective of many people in the developed economies capital flight to LDC's (with or without free trade agreements) may constitute a barrier to well-being, at least in the short-run. At the same time foreign direct investment in Region may create only low-wage, marginal jobs (Wood, 1994). A just approach to FDI must consider the effects on both the north and south in terms of self-determination. A controlled capital flow accompanied by improvements of wages and working conditions in the south may be the most desirable solution.
3. *International ecological considerations:* Global interdependence has been increasingly recognized in this area. However, it is not clear what justice demands



in terms of the relationship between the north and south. Other things being equal, the enforcement of strict environmental standards would seem to be just. However, such standards may destroy the livelihood of some people in the south, it is sometimes argued. A global tax and transfer scheme would seem to be the precondition for applying a global set of environmental standards. The transfer of ecologically sound technology systems from rich to the poor countries is a precondition for justice in this sphere.

4. *Asset redistribution and human development:* Much of the foregoing discussion pinpoints the need for giving people the economic wherewithal in order for them to develop their social capabilities. Most studies (e.g., Adelman and Robinson, 1978; Khan, 1985; James and Khan, 1993) have discovered that non-redistribution of assets to the poor hampers poverty alleviation strategies. Redistributing assets and developing their human capital so that the poor can have access to markets becomes a major necessity in our normative framework. In most parts of the world this will require structural reforms rather than marginal policy interventions.
5. *Gender justice:* The impact of globalization on women will have to be assessed carefully. The well-documented facts regarding gender inequalities that so far have affected women's capabilities negatively demand unequivocally that policymakers pay careful attention to enhancing (or at least not decreasing) women's capabilities. Will the globalization help women to overcome social limitations ranging from lack of nutrition to limits on participation in social, economic and political life? Unfortunately, the answer is unclear. In so far as many developing country women do not possess skills for the global market place, globalization is already hurting them.

These five examples are meant to be illustrative only. By no means do they exhaust all the pertinent issues in moving towards a just economy globally. (For example, we could add or highlight the growing rural/urban disparities with globalization and its implications for justice). But they do illustrate both the problems and prospects for justice in the age of globalization. One of the major political problems we have not discussed so far is the weakening of national sovereignty that the call for global economic justice entails. Agreeing to a global mode of production and distribution constrained by the principles of justice does mean surrendering considerable authority to international agreements, conventions, and ultimately, perhaps to new international organizations. It should be observed, however, that even without the constraining role of justice the globalization process weakens national sovereignty, even for advanced industrialized countries (e.g., NAFTA). Thus, the call for a just economy must confront this (as well as other issues such as weakening of traditional cultural modes of living) head on in the light of reasonable principles. The fundamental message is that among these principles that of freedom as rational autonomy of the individual must be the principal one. This is one rational

(perhaps the only one) approach if we are to avoid both the Scylla of Jihad and the Charybdis of McWorld.

The McWorld aspect of globalization is a result of a fractured but real economic, financial and technological integration. Following the collapse of the Bretton Woods Agreement in the early 1970s, the financial market (including interest rates and exchange rates) was deregulated, thereby enhancing the flow of capital between nations. Until then the world financial system was governed by the Bretton Woods agreement of 1945 which provided for fixed exchange rate where currency values were expressed in terms of dollars and gold. When the system was abolished in 1971 by the Nixon administration and replaced by a floating exchange rate, the grounds for a global market were laid.

This was reinforced by the resurgence of a neoliberal free-market ideology of liberalization, privatization and deregulation that became the "only game in town" following the ascendance of political conservatives -- Reagan in the U.S., and Thatcher in Great Britain. It was further reinforced by the collapse of the former socialist countries and the emergence of the neoliberal thinking as a dominant and unchallenged school of thought (Falk, 1997). All these factors created a conducive environment for the free movement of goods including capital goods, and services as well as finance, thereby seemingly creating an integrated global economy. will show.

## Appendix 2:

**A 'Simple' Non-linear Model of Complexity, Growth, Distribution, Capabilities and Innovation System Motivated by the Korean Experience ---applicable with modification to the MENA economies including Egypt**

In order to give the reader some idea of the problem of formalizing complex technological systems motivated by the above case study of Korea in particular, we summarize here the basic structure of a 'simple' non-linear model embodying distinct technological systems which can be applied to analyze the technological trajectories in countries like Korea. At any single point in time, the model can be presented as a Social Accounting Matrix (SAM) representation of the socio-economic system. The key distinction here is the explicitly non-linear nature of the economy-wide functional relationships. The key theorem shows the existence of multiple equilibria. Some further considerations of complexity and

increasing returns show that multiple equilibria are indeed the natural outcomes in such models. Thus, there would seem to be some role for domestic policy in guiding the economy to a particular equilibrium among many.

The capabilities component both at the individual and group level can be modeled by appropriate listing of individuals and social groups. The network aspects of “social capabilities” can be captured by the inclusion of appropriate social, economic and political institutions and their interconnections. The economic aspects of income flows and distribution, consumption, saving etc. are relatively easy to capture and quantify. Satellite accounts can capture many race, ethnicity and gender related aspects. Much harder is the task of capturing social relations. Here, a qualitative network approach is a good starting point, but much more remains to be done.

The virtue of an economy-wide approach to technology systems is the embodiment of various inter-sectoral linkages. In a SAM, such linkages are mappings from one set of accounts to another. In terms of technology systems, the production activities can be broken down into a production (sub-) system and a set of innovative activities. In practice, this presents considerable difficulties of classification and empirical estimation.

One major component of the entire innovation system is, of course, the expenditures on R&D. In the SAM for Korea used here, this can appear either as an aggregate expenditure along the column labeled R&D, or as a set of disaggregated expenditures.<sup>i</sup> In the latter case these may be specified according to productive activities (e.g., construction, electrical equipment, etc.) or by institutions (e.g., private R&D expenditures, government R&D expenditures, etc.). It should be emphasized that the dynamic effects of R&D on the economy can be captured only in a series of such SAMs over time. This approach is still at the conceptual stage, but appears to be quite appealing. One can contrast the possible policy experiments that can be undertaken within such a framework with the apparently ad hoc science and technology policies in many developing countries. In particular, the impact over time of many economic development policies including innovation policies can be traced by building and maintaining such SAMs.

Choice of new technology in a developing country is affected by research and development in at least three different ways. Such a country can attempt to develop new technology through R&D, as mentioned previously. This ultimately requires a positive feedback loop innovation system in order to be self-sustaining. Another alternative is to adapt existing technology. This too requires a production system geared towards innovation in a limited way. A third alternative is to import technology or to acquire it through attracting foreign direct investment. In practice, all these different forms may be combined. The abstract model embodies all these different possibilities. However, the first option requires, among other things, a presence of multiple equilibria. In a unique equilibrium world the competitive equilibrium (under the assumption of complete markets) will always be the most efficient one. The presence of increasing returns usually destroys such competitive conditions.

We begin with a number of productive activities reflecting the existing technological structure. These activities are defined on the input-output subspace of the general and abstract mathematical space  $X$ . In addition to the values of inputs and outputs, points in this space could also represent household and other institutional income and expenditure accounts. We also incorporate the possibility of R&D as a separate productive activity. Formally, it is always possible to break R&D down into as many finite components as we want. The key relationship in this context is that between the endogenous accounts (usually, production activities and technologies, factors and households) and the exogenous ones. It is this relationship that is posited to be non-linear and this together with some assumptions on the relevant mathematical space can lead to the existence of multiple equilibria.

Although the existence theorems for these multisectoral models provide some structure for the equilibria as sequences of fixed points in the socio-economic structure with evolving technology systems, it is not specified a priori which equilibrium will be reached. The problem of equilibrium selection thus remains open. The idea behind a POLIS can now be stated somewhat more formally. It is to reach a sequence of equilibria so that in the non-linear models of the entire economy the maximal fixed points that are attainable are in fact reached through a combination of market forces and policy maneuvers over time. It is also to be understood that path-dependence of technology would rule out certain equilibria in the future. Thus initial choices of technologies can matter crucially at times.

### The Model on a Lattice

Define  $X$  as a vector lattice over a subring  $M$  of the real field  $R$ . Let  $X_+ = \{x \in X, x \geq 0\}$

A non-linear mapping  $N$  is defined such that  $N: X_+ \rightarrow X_+, N_0 = 0$ . Given a vector of exogenous variables  $d$ , the following non-linear mapping describes a simultaneous non-linear equations model of an economy,  $E$ :

$$x = Nx + d \tag{1}$$

for a given  $d \in X_+$ .

This non-linear system represents a socio-economic system of the type described previously. In order to specify the model further, the following assumptions are necessary.

1.  $X$  is order complete
2.  $N$  is an isotone mapping
3.  $\exists \hat{x} \in X_+$  such that  $\hat{x} \geq N\hat{x} + d$

In terms of the economics of the model, the non-linear mapping from the space of inputs to the space of the outputs allows for non-constant returns to scale and technical progress over time. The 3 assumptions

are minimally necessary for the existence of equilibrium. Assumption 3, in particular ensures that there is some level of output vector which can be produced given the technical production conditions and demand structure.

Existence of Multiple Equilibria:

Theorem: Under the assumptions 1 - 3, there exists  $x^* \in X_+$  so that  $x^*$  is a solution of

$$x = Nx + d$$

Proof: Consider the interval  $[0, x] = \{\hat{x} \mid \hat{x} \in X_+, 0 \leq \hat{x} \leq x\}$  where  $\hat{x}$  is defined as in assumption 3. Take a mapping  $F$ .

$$F: x \in X_+ \rightarrow Nx + d$$

$F$  is isotone and maps  $[0, x]$  into itself.

Define a set  $D \equiv \{x \mid x \in [0, x], x \geq Fx\}$ .

By assumption 3,  $D$  is non-empty.

We now show  $x^* \equiv \inf D$  is a solution to  $x = Nx + d$ .  $x^* \equiv \inf D$ ; therefore  $x^* \leq x, \forall x \in D$ .  $F$  is isotone; therefore  $Fx^* \leq Fx \leq x$  for each  $x \in D$  implying.

$$Fx^* \leq x^*$$

From (2) we have  $F(Fx^*) \leq Fx^*$ . Thus  $Fx^* \in D$ ; hence  $x^* \equiv \inf D \leq Fx^*$  so,  $Fx^* \leq x^* \leq Fx^*$ . Therefore  $x^* = Fx^*$ .

This is an application of Tarski's and Birkhoff's theorem. The key feature to note here is that the equilibrium is not necessarily unique. It should also be noted that under additional assumptions on space  $X$  and the mapping  $N$  the computation of a fixed point can be done by standard methods (e.g. Ortega and Rheinboldt). A similar model can be constructed on Banach space as well.

Needless to say, any formalization of a complex system leaves out certain features. For example, the political features of POLIS are captured only indirectly and inferentially in the above model. But at least the ecological and distributive features can be captured by constructing the appropriate environmentally-sensitive SAMs and applying the model over time for a country like Korea. What the above verbal argument and formal exercise suggest is the feasibility of an alternative developmental model that builds upon some of the insights of the Asian success stories like Korea but also can take some necessary steps to face the ecological and political economic challenges of the 21<sup>st</sup> century.

### Appendix 3: The Augmented National Innovation Systems and Capabilities approach and a more complex illustrative model

Multiple Equilibria on Banach Space for an Augmented National Innovation Systems model:

In this section the results for multiple equilibria presented verbally in the main text and formally in appendix 1 are further extended to functionals on Banach Space. We can define the model presented in appendix 1 again for monotone iterations, this time on a non-empty subset of an ordered Banach space  $X$ . The mapping  $f: X \rightarrow X$  is called compact if it is continuous and if  $f(x)$  is relatively compact. The map  $f$  is called completely continuous if  $f$  is continuous and maps bounded subsets of  $X$  into compact sets. Let  $X$  be a non-empty subset of some ordered set  $Y$ . A fixed point  $x$  of a map  $f: X \rightarrow X$  is called minimal (maximal) if every fixed point  $y$  of  $f$  in  $X$  satisfies

$$x \leq y (y \leq x)$$

Theorem: Let  $(E, P)$  be an ordered Banach space and let  $D$  be a subset of  $E$ .

Suppose that  $f: D \rightarrow E$  is an increasing map which is compact on every order interval in  $D$ . If there exist  $y, \hat{y} \in D$  with  $y \leq \hat{y}$  such that  $y \leq f(y)$  and  $f(\hat{y}) \leq \hat{y}$ , then  $f$  has a minimal fixed point  $x$ . Moreover,  $x \leq y$  and  $x = \lim F^k(y)$ . That is, the minimal fixed point can be computed iteratively by means of the iteration scheme

$$x_0 = y$$

$$x_{k+1} = f(x_k) \quad k = 0, 1, 2, \dots$$

Moreover, the sequence  $(x_k)$  is increasing.

Proof: Since  $f$  is increasing, the hypotheses imply that  $f$  maps the order interval  $[y, \hat{y}]$  into itself. Consequently, the sequence  $(x_k)$  is well-defined and, since it is contained in  $f[y, \hat{y}]$ , it is relatively compact. Hence it has at least one limit point. By induction, it is easily seen that the sequence  $(x_k)$  is

increasing. This implies that it has exactly one limit point  $\bar{X}$  and that the whole sequence converges to  $\bar{X}$ . Since  $f$  is continuous,  $\bar{X}$  is a fixed point of  $f$ . If  $X$  is an arbitrary fixed point in  $D$  such that  $X \geq \mathcal{Y}$ , then, by replacing  $\mathcal{Y}$  by  $X$  in the above argument, it follows that  $\bar{X} \leq X$ . Hence  $\bar{X}$  is the minimal fixed point of  $f$  in  $(\bar{\mathcal{Y}} + P) \cap D$ . It should be observed that we do not claim that there exists a minimal fixed point of  $f$  in  $D$ .

We can also show that if  $F: X \in X_+ \rightarrow NX + d$  is an intersecting compact map in a non-empty order interval  $[X, \hat{X}]$  and  $X \leq FX$  and  $F\hat{X} \leq \hat{X}$  then  $F$  has a minimal fixed point  $X^*$  and a maximal fixed point  $X^{**}$ . Moreover,  $X^* = \lim F^k(X)$  and  $X^{**} = \lim F^k(\hat{X})$ . The first of the above sequences is increasing and the second is decreasing.

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#### Appendix 4: On Creating a Deep Democratic Movement in MENA Region

The main purpose here is to propose a somewhat novel theory of *deep democracy* from a political and social economy perspective which can serve as an analytical framework for setting an important part of the agenda for a movement towards such substantive democracy in the MENA region. For setting a practical agenda in the region, the cluster conditions in table 1 below and the subsequent discussion of clusters of political, economic and other conditions for deepening democratic capabilities in a network of appropriate institutions can be used.

In deep democracy, democratic practices have to become institutionalized in such a way that they become part of normal life in a democratic society. Ontologically, deep democracy overlaps with Barber's (1984) idea of *strong democracy*. There are, however, epistemological differences as well as differences of emphasis, particularly in the economic sphere. Cluster conditions for deep democracy include both cultural-political and socio-economic conditions.

Our theory of deep democracy also fields skeptical challenges of postmodern philosophers. However, we restrict our discussion to matters as they relate to the moral agency of the democratic actors while developing the idea of moving towards deep democracy in the context of important failures of both capitalism and socialism in the last century (Frame, 2007; Khan, 1994, 1998, 2006, 2007). We begin by discussing the meaning of the political and social economy approach as we use this term. Next, we discuss in greater detail the economic and political dimensions of deep democracy. Finally, we take up the crucial task of defending the subjectivity of a deeply democratic individual. Conclusions follow.

## The political and social economy approach

**Table-1**

**Cluster conditions for deep democracy**

No.	Condition	No.	Condition
01	Ending of economic and other status inequalities;	13	Public funding of issue-oriented committees as well as parties;
02	Public emphasis on furthering democratic autonomy, internationalism, and individuality;	14	Takeover of some security and civil judicial functions by neighborhood or regional democratic associations; abolition of centralized, especially secret police powers and units;
03	Adequate incomes for all socially recognized work, as well as for children, the handicapped, the aged, and others not able to work in order to promote equality of capability;	15	Universal public service, military or community; restructuring of armed forces in a defensive, civilian-oriented direction; removal of authoritarianism of rank and status, and institution of democratic unit organization, allowing serious discussion of policy;
04	Respect for and articulation of differences in public life and within parties;		
05	Downward democratic congruence of and within ordinary social institutions, including work place democracy;	16	Proportional representation of parties;
06	Debate over the history and future of the movement- the nature of deep democracy – in neighborhood assemblies and schools;	17	Abolition of patriarchy;
07	Cultivation of respect for civil disobedience, strikes, and other acts of protest on major public issues;	18	Adoption of democratic child-rearing practices;
08	Integration of local and national leaders into features of ordinary economic and political life and creation of arenas for criticism;	19	Full freedom of social intercourse of diverse groups;



09	Curtailement of all direct political intervention in the arts, religion, and personal life;	20	Full freedom of diverse cultural expression;
10	Establishment of independent judicial, policy, communication and electoral review bodies;	21	Encouragement of the arts and varying modes of expression so that every individual can experience and struggle with the challenge of non-dominating discourse;
11	Diversity of perspective in communications and education;	22	Practice of radical forms of individual and group subjectivity leading to what Guattari has termed the molecular revolution;
12	Use of differential, serial referenda on central issues;	23	Adoption of technology and innovation systems, which will reinforce the conditions above, rather than undercutting them.

Source: Khan (1998: 101).

By *political economy* we mean the classical state and civil society and its interactions. By *social economy* we mean the underlying social basis of the political economy including the family structure. Khan (1994, 1998, 2007) presents deep democracy as a structure in addition to formal democratic apparatus, such that the practice of democratic life can be reproduced with the basic values intact. Change is not precluded. But all such changes should deepen democracy, not weaken it. Deep democracy in this sense is intimately connected with economic and social justice. In order to make economic justice tenable, however, at least a cluster of conditions connected with deepening democracy must be realized (Khan 1994, 1998). Table-1 lists such cluster conditions.



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## Table-2

### Summary of social capabilities\*

No.	Condition	No.	Condition
01	Being able to live to the end of a complete human life, as far as possible.	15	Being able to live for and to others, to recognize and show concern for other human beings, to engage in various forms of familial and social interaction.
02	Being able to be courageous.		
03	Being able to have opportunities for sexual satisfaction.	16	Being capable of friendship.
04	Being able to move from place to place.	17	Being able to visit and entertain friends.
05	Being able to avoid unnecessary and non-useful pain and to have pleasurable experiences.	18	Being able to participate in the community.
06	Being able to use the five senses.	19	Being able to participate politically and being capable of justice.
07	Being able to imagine.	20	Being able to live with concern for and in relation to animals, plants and the world of nature.
08	Being able to think and reason.	21	Being able to laugh, to play, to enjoy recreational activities.
09	Being acceptably well-informed.	22	Being able to live one's own life and nobody else's.
10	Being able to have attachments to things and persons outside ourselves.	23	Being able to live in one's very own surroundings and context.
11	Being able to love, grieve, to feel longing and gratitude.	24	Capability to have self-respect.
12	Being able to form a conception of the good.	25	Capability to appear in public without shame.
13	Capability to choose; ability to form goals, commitments, values.	26	Capability to live a rich and fully human life, up to the limit permitted by natural possibilities.
14	Being able to engage in critical reflection about the planning of one's own life.	27	Ability to achieve valuable functionings.

Source: Sen & Nussbaum, as cited by Khan (1998: 95).

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\*Here the controversies regarding listing should be kept in mind. But this list without being definitive can nevertheless offer some guidance regarding the kinds of capabilities that are necessary for a deeply democratic society in MENA region keeping in mind the history and cultural specificities of the region as well.

It may be useful to elaborate upon the idea of social capabilities. We have summarized a list in Table-2, following Sen & Nussbaum (1993) However, we have tried to give a fully social interpretation of all the capabilities as in Khan (1998). Having summarized our approach to deep democracy from the political and social economy perspective, we now turn to the crucial problem of deepening democracy as a set of practices over time.

### *Towards a deeply democratic society in the MENA Region*

The aim of any sane, progressive socio-economic system must go beyond the blind accumulation of capital or development at all costs. The goal of a just political and social economy is to guarantee each individual's freedom or ability to live the kind of life he/she chooses. *Capabilities* can be construed as the general powers of human body and mind that can be acquired, maintained, nurtured and developed.<sup>1</sup> Capabilities are economic, but they are also political, social, psychological, and spiritual.

A deeply democratic society must take into account all forms of capabilities without the sacrifice of some over others. Further, no one capability can be substituted for another. All are irreducible. As Frame (2007) illustrates, there are significant challenges to this aim under the capitalist system. For all members of a society to develop freely, an individual's capabilities cannot infringe upon the capabilities of another. Any form of exploitation in society, no matter how legally construed, should infringe upon an individual's freedom. In addition, radical change without actual participation is impossible.

*Economic preconditions for deep democracy:* For a deeply democratic society to exist, it must contain political and social conditions that foster the full development of individual capabilities. It must also contain economic conditions that provide the material base for egalitarian political and social participation as well as physical and psychological health. In economic systems that promote or sanction significant inequalities and/or alienating divisions of labor, deep democracy is impossible. Proponents of deep democracy must examine, therefore, which specific values and institutions within an economic framework would support or hinder democratic practices from taking root and flourishing.

We will first consider the principal values upon which an economic system conducive to deep democracy must strive to adhere to and second, possible institutional changes that would abet the concrete realization of a deep democratic society. Can the economic ever be ranked before social? Such a fundamental

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question must be addressed if a humane economic system is to be constructed which is not merely sustained by the blind drive to accumulate, as in capitalism, or develop without regard to social relations, as in more vulgar forms of economic determinism.

Sen (2000) argues that in contrast to the utilitarian approach of maximizing GDP growth, the fundamental goal should be the development of substantive freedoms – capabilities – to choose a life one has reason to value. Thus, the aim of economic growth should be to enhance the freedom of the individual to choose the kind of life he/she desires. The question that needs further examination is: precisely *what* values must drive, shape, and ultimately determine an economic system so that the full capabilities of each individual are developed? What values must be given primary consideration so that the system itself does not perpetuate a feedback loop in which inequality, hierarchy, and eventually exploitation and alienation come to dominate?

Albert & Hahnel (1991) suggest the evaluation of economic institutions based upon five moral and logical criteria: equity, efficiency, self-management, solidarity, and variety. To this list, we add transparency in dealings with all those affected in respect of full social (and ecological) costs of every economic transaction. Capability deprivation can only be eliminated if the economic system is fundamentally equitable. Albert & Hahnel (1991) chose to define equity as based upon effort alone rather than accumulated private property or fortuitous individual talents. Gilbert (1990) suggests equal incomes for all socially recognized work.

The capabilities enhancing viewpoint might maintain, in slight contrast, that equity is desirable only to the extent that it fulfills the individual's ability to partake socially on equal footing with other members of society. Such a viewpoint might break with the maxim equal pay for equal effort; in the case of the physically ill or mentally handicapped, for example, greater pay above the effort expended may be necessary. In any case, it would seem that the most vital components of equity would be the elimination of surplus value extraction and compensation for the disadvantaged. This would include the elimination of all forms of surplus-value extraction currently found under the wage labor system of capitalism.

An economic system that eliminates the extraction of surplus value would greatly abet abolishing exploitation and hierarchy, and to some extent, class disadvantages. The increasing self-management of workers would further erode hierarchy, division of labor, and class, as all members would gain experience in organizing and decision-making. Through self-management alone can the dilemma of alienation in either hierarchal capitalist systems or top-down command structures of centralized planning be alleviated.

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If we consider Sen's (2000) capabilities approach, which advocates the freedom to choose a work environment suitable to individual needs, it is hardly likely that any individual would choose less self-management over increased self-management. If the goal of deep democracy is indeed capabilities enhancement, the development of freedom and choice must not be excluded from the sphere of work. Solidarity through team effort, rather than competitiveness, is also crucial in the return of the individual to his/her social essence as envisioned by Marx and overcoming the alienation of *species-being* where economic transactions are a zero-sum game.

Work as a variety of tasks rather than repetition would help develop and unite the currently disparate emotional, physical, mental and spiritual aspects of the individual. Through a variety of tasks the breakdown of the invidious division between manual and mental labor, which centralizes authority within the hands of the elite, could be eroded. Finally, a transparent, eco-friendly economic system that allows citizens full awareness of the social and environmental costs of economic transactions within that system is vital to full citizen participation and decision-making.

Is such a seemingly utopian economic system possible? Numerous authors have written on alternative economic systems. Khan (1998) suggests furthering democratic practices through citizen participation in oversight, design, governance, and evaluation processes of technological development; in a deep democratic society, research and development expenditures, for example, be publicly debated, and some asset redistribution so that the poor can have access to markets would be necessary. Albert & Hahnel (1991) explored the theoretical feasibility of creating highly decentralized democratic economic model with a radically different system of production, consumption, and allocation.

The participants in the planning process are worker councils and federations, consumer councils and federations, and an Iteration Facilitation Board (IFB). The IFB announces *indicative prices* for all final goods/services, capital goods, natural resources, and categories of labor. Consumer councils and federations respond with consumption proposals. Worker councils and federations respond with production proposals listing the outputs they propose and the inputs they need to make them. The IFB then calculates the excess demand or supply for each input and output and adjusts the indicative price up or down. Using the new indicative prices, consumer and worker councils and federations revise and resubmit their proposals until other councils accept them.

The economic processes of production, consumption and allocation are determined by production, consumer, and IFB councils, reaching from the micro-level of the workplace, the meso-level of the community, to the macro-level of the nation. Democratic participation in all the councils is carefully regulated. Equal status inhibits centralization of power, which occurs in central planning. Workers' councils allow for democratic deliberation, and self-management. Solidarity is promoted through

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cooperation in decision-making and non-hierarchical positions in the workplace, while variety of tasks circumvents the ossification of traditional divisions of labor and hierarchy.

Concerning equity, Albert & Hahnel's (1991) economic model strikes at a very central issue. Can money as an exchange system remain as *capital* and not promote competitiveness, acquisitiveness, and exploitation? Equity, in the radical economic model, is insured through *payment* for effort, which is ultimately no more than equal exchange through effort for consumption goods as opposed to capital accumulation. However, the real problem is to go beyond treating labor power as a commodity. In terms of value theory, we need to go beyond the value form itself. This requires going beyond what Marx calls *bourgeois rights* (Khan, 2006). This would indeed call for a radical restructuring of the current economic system.

*Political preconditions for deep democracy:* Rights that enhance the ability of each individual to participate politically, equally and fully constitute a vital component of a deeply democratic society. The extent to which political rights are relevant can be argued from a variety of perspectives. From the Marxist perspective, political rights are reflective of the extent to which citizens are not alienated from the political processes. Our theory of deep democracy does not separate political processes from all other forms of power (social, economic, or ideological) in society.

Deep democracy criticizes the divisive characteristic of the state. Although citizen created, the state dominates its creators. Individuals have no direct control over the instruments they are being governed by. The processes of legislating, administering, and governing are often beyond the reach of the average citizen. Hence, with the increasing power of the state, alien forces increasingly govern public life of the individual. Hence, political rights must be given priority.

Barber argues for political rights from a somewhat different but no less important vantage point. He criticizes liberal democracy as inherently limited in its conception of both the individual and the social contract between individual and state. The individual in liberal theory is no more than, "...a creature of appetite, or of reason indentured to appetite.... incapable of bearing the weight of his ideals" (Barber, 2003). The role of the state in liberal democracy, Barber claims, is no more than that of a zookeeper.

The conundrum which liberal democracy finds itself unable to resolve is the tension between the freedom of the individual and the power of the state. The state, a necessary apparatus to protect the freedom of the individual, ends up usurping the freedom of the individual itself. This dilemma arises because liberal democracy does not truly regard the citizen's role as a participatory one; hence the characteristic of the

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state as usurper of the citizen's natural freedom arises. Only a political system 'with a civic culture nearer to the themes of participation, citizenship, and political activity,' (Barber, 2003) remedies political alienation and apathy found in formal democracies.

From the developmental and capabilities approach, Sen offers three different perspectives as to why political rights are necessary. First, political rights are inalienable rights. Self-determination, liberty, and democracy are capabilities to be developed as any other. Second, the instrumental role of political rights is crucial in enhancing the hearing that people get in expressing their political and economic needs. Last, political rights are necessary in the constructive role that they play in the conceptualization of *needs* in a social context. Public debate, discussion, and the civil liberties to engage in them shape how people conceptualize their own needs. (Sen, 2000).

The question which one must engage with then is not so much whether or not political rights are necessary. The question, then, is what hinders political rights as capabilities, whether it is the capability to engage politically on equal footing as another member of society, or the capability to engage in a political setting which fosters self-governance, fellowship of civic association, or mutual deliberation, decision and work (Barber, 2003).

Progress in this direction, like the question of economic capabilities, must consider the complex issue of political alienation which arises, as radicals note, from the disparate capabilities of individuals caught in a class based society. In the call for liberty and democracy, the difference between formal rights, which are possessed by both the poor and the rich, and effective rights, which are profoundly affected by hierarchy, division of labor, economic inequality, political elitism, cannot simply be ignored. In addition to the social and economic structures that hinder the political rights of individuals, deeply democratic societies must evaluate the institutional structures of formal democracy and critique their effectiveness in providing real political capabilities to citizens.

As Barber (2003) argues, liberal democracy is too limited both in its concept of the individual, and lacks the necessary political institutions for truly participatory democratic processes. A deeply democratic society must strive to implement concrete institutions that promote democracy. Accountable institutions of representation and leadership, participatory political processes enjoined by a highly informed citizenry, and progressive legislation are three areas of focus here.

A deeply democratic society seeks to enhance the political capabilities of each citizen in respect to self-governance, freedom, equality, and justice. Certain features of formal democracy appear unable to fully



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provide political capabilities to citizens. The first feature that stands out prominently is the issue of representation. In cases of small communities, direct democracy may allow for equal representation and participation of each citizen; however, large regimes or nation-states necessitate some form of political representation. Yet formal democracy, or representative democracy, can be criticized as the political rule of electorally chosen elites, who are often biased with partisan interests.

Benjamin Barber criticizes the concept of representation itself as fundamentally flawed, ‘...men and women who are not directly responsible through common deliberation, common decision, and common action for policies that determine their common lives are not really free at all....citizens become subjects to laws they do not truly participate in making; they become the passive constituents of representatives who, far from reconstituting the citizens’ aims and interests, usurp their civic functions and deflect their civic energies’(Barber, 2003). To a great deal this can be attributed to the problem of class and economic inequalities.

With a more equitable socio-economic system, such as the participatory economic system envisioned by Hahnel and Albert, which decentralizes economic decision making and checks the usurpation of resources by elites, the partisan interest of politicians representing class-bias and political alienation of ordinary citizens would be greatly reduced. However, some institutional changes to formal democracy would be necessary that would limit the purely political power of representatives and leaders.

Gilbert recommends institutionalized possibilities of recall, criticism, and restriction on pay of representatives (Gilbert, 1990). Representatives at the local, state, and national level could be subject to public evaluation and/or criticism and in cases of transgressions recall, allowing for greater accountability. Restrictions on pay comparable to salaries of other workers (in a society wherein roughly equal incomes are the norm) would discourage individuals from political involvement for monetary gains. In addition, measures taken to guard against the growth of a ‘political elite’ – wherein certain individuals become professional politicians for life and can thereby manipulate political power for their particularistic interests – would be necessary.

Such measures would include a limit to one’s time in office and a limit to one’s involvement in politics overall. Additional measures might have to be implemented to avoid the development of political familial dynasties. The establishment of independent judicial, policy, communication and electoral review bodies would maintain a system of checks and balances. To check the monopoly of one or two powerful parties, Gilbert (1990) also recommends proportional representation of parties in accordance with the percentage by which the party is elected.

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Beyond institutional checks and balances of representatives, a deeply democratic society must be as highly decentralized as possible. This would entail both a highly informed, active citizenry combined with institutions that delegate decision-making power directly into the hands of the people. Barber's (2003) strong democracy advocates unmediated self-governance through local, state, and national institutions that allow for discussion, decision-making and action at all three levels. At the local level, Barber (2003) recommends a national system of neighborhood assemblies of from one to five thousand citizens with deliberative eventually local legislative competence as well as selective local elections to local office by lottery with pay initiatives. At the national level, he recommends a national initiative and referendum process that permits popular initiatives and referenda on congressional legislation.

In contrast to current trends of political apathy, self-governance would call for a highly informed citizenry. Barber (2003) recommends such programs as a civic videotext service and civic educational postal act that would promote full civic education, and a program of universal citizen service. Khan (1998,2007) and Gilbert (1990) call for the establishment of a universal public service that would involve either military or community service. Similar to the democratic, civilian based ideals of the Chinese People's Liberation Army practiced during the Chinese Revolution, Khan (2005) and Gilbert (1990) call for the restructuring of armed forces in a 'defensive, civilian-oriented direction' along with the 'removal of authoritarianism of rank and status, and institution of democratic unit organization, allowing serious discussion of policy' (Khan 2005).

In addition, deeply democratic governance would necessitate abolishing of all centralized, secret police powers and units as well as secret military interventions in foreign governments. Deep democracy, and the possibility of internationalism and solidarity, cannot exist when many foreign policies, some of a more nefarious nature, are regulated to elite decisions, as in the case of the U.S.A., when many foreign military interventions circumvent both congressional and public oversight (Johnson, 2004). The appendix offers a full reprise of Barber's strong democratic program for revitalizing citizenship.

Finally, the adoption of progressive legislation similar to the U.N. Charter on Human rights that calls for both the protection of individual rights as well as the explicit rights of women, minorities, or other disadvantaged groups would ensure, beyond deeply democratic decentralized deliberation, a standard of human rights. Even if a decision settled through democratic deliberation, it must be invalidated in cases where that decision oppresses particular groups in society, or upholds exploitative norms. A deeply democratic society in all cases must seek to uphold the equal economic and political rights of all citizens.

*Social capabilities:* Beyond economic and political preconditions, for a deep democratic society to be both sustainable and fully human, we need to question more deeply the meaning of well-being. The development of 'social capabilities' is no less crucial but perhaps more difficult to define. Social

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capabilities are capabilities that can only be developed in relation to others. They consist of positive relations to other members of society as well as a healthy relationship to oneself. Sen & Nussbaum (1992) list the capabilities to think and reason, to imagine, to be able to form a conception of the good, to be capable of having self-respect, to be able to participate in a community, among others.

If we conceive of social possibilities in the context of legislation, Khan includes as part of the set of cluster conditions for a deeply democratic society the abolition of patriarchy, the adoption of democratic child-rearing practices, the full freedom of social intercourse of diverse groups, and the full freedom of diverse cultural expression (Khan 1998). A progressive legislation that ensures these basic rights would be the first step for the establishment of social capabilities.

Beyond progressive legislation, truly deep democracy would call for a breakdown of the monopoly of intellectual, artistic, scientific, and spiritual elitism. It is as impossible to judge scientifically, given this historical elitism, the extent to which the majority are capable of developing in these areas as it would have been to determine the intellectual/spiritual potential of women two hundred years ago under patriarchy. The bias of class based societies towards these social capabilities has pervaded social norms to such a profound extent that only an elite few are able, or even believe they are able, to develop in any of these areas.

The elite produce art and culture, the many simply consume it. At the same time, overwhelmingly art and culture portray a lifestyle and culture alien and inaccessible to lower classes. Science or other intellectual endeavors are equally inaccessible to the majority both due to the gulf between mental and manual labor, as well as the price of education. It may be argued that under the current capitalist society education is more widespread and accessible than ever before. Yet this, too, comes at a price. As already discussed extensively under the section on alienation, in a consumerist society, even the limited artistic, scientific, intellectual and spiritual fields are commodified, infringing upon the individual's ability to perceive anything without a price.

A deeply democratic society would both have to disentangle the elitism which typically surrounds these areas as well as distance material means from the decision to participate or not in these areas. This could be done by free, accessible, lifelong adult education with the reduced working hours available under participatory economics.

Within social institutions such as education, greater democratic practices are also necessary. Alternative systems of education have experimented with such practices with considerable success. Education centers

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built upon the philosophy of the Indian thinker Krishnamurti attest to this. His educational philosophy protests against the typical use of reward/punishment, competition and fear and hierarchy which, according to him, condition the individual so deeply that real self-discovery, questioning, and creative thought is impossible. Instead, more emphasis is placed upon self-inquiry around such vital life questions as: Why do we fear? Why do we feel the need for power? What is love? Only by such expansive questioning free from authority, Krishnamurti, maintains, can we become whole human beings. Only through understanding of issues such as the ego and separateness can the deeper aspects of the human psyche be developed healthily.

Democratic practices within the educational system could be expanded to include more spiritual institutions with similar democratic practices of non-elitism and non-hierarchy, and full participation in both thinking and interpreting spiritual script. Important studies by Frankl (1985) reveal that ‘will to meaning,’ the ability to find meaning in one’s life, is an essential necessity to living. The capability to discover one’s ‘will to meaning’ is an irreducible social capability as much as proper clothing or political participation. Logotherapy helps patients find meaning in any given situation in their life, even in suffering. Therapy such as logo therapy, along with community, spiritual support and deeper education, would help provide members of a deeply democratic society with the psychological wherewithal to possess this capability.

While Frankl’s (1985) logotherapy is primarily individualistic, Khan (1998) recommends continuous therapy available for all members of a deeply democratic society, which would include forms of group therapy. This would be an affirmation of the necessity of social healing in class based societies where disparate groups are, by and large, alienated from one another. Most importantly, this could allow the development of empathy between individuals from disparate backgrounds. The point here is not to emphasize one form of education or social institution above all others, but to draw attention to the variety of alternative institutions that could help to positively develop the social capabilities of members in a deep democratic society.

## The problem of moral agency in creating social capabilities for deep democracy

If indeed there were no real subjectivity for humans, as many postmodernists have claimed, then the task of theorizing about deep democracy and economic justice would seem completely hopeless. This is really the problem of agency or – as it is well known in the French postmodernist and poststructuralist circles – the problem of the subject. In France it was made popular by Althusser’s discussions of ideology.<sup>2</sup> However, the deeper philosophical and psychoanalytic motivations for considering the subject problematic have been articulated by Lacan (1975). In Lacan’s (1975) view, the subject has both conscious and unconscious motivations. The unconscious part is the source of the problem.

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Lacan (1975) claims that the structure of the unconscious is the same as the structure of repressed. This chain of repressed signifiers hides the actual incoherence of the subject's subjectivity. However, the leap from a nuanced analysis of the unconscious aspects of the psyche to the conclusion that there is no subject with a moral capacity for action is illegitimate for several reasons.<sup>3</sup> First, the idea of a subject can have a limited warrant even if the unconscious motivations are discerned as contradictory. The potential for moral capacity of such a subject is weaker. Nevertheless, even weakly constituted, quasi-juridical subjects can serve as putative agents of moral actions.

The second and more important objection to the Lacanian fallacy is that Lacan's position can actually be used to reformulate the view of a subject effectively. Recognizing the inevitable unconscious contradictions allows one to distinguish between two kinds of subjecthood in a dynamic sense.<sup>4</sup> On the one hand we have the (relatively) unaware subject who is the ideologically constructed individual. Such a person may be shored up by all the reassuring dogmas and ideologies of our contemporary society. The crack in the mirror where such a person observes himself is invisible as long as he is ignorant of his own inner turmoil at the conscious level. This is not to say that archaic thought-processes or emotions do not invade the person from time to time.

Cohen (1994) argues that a trained analyst can perceive both the moral capacities and moral failures of subjects. Conceptually, the argument simply establishes the possibility of the subjecthood of a person. The precise content of the subjectivity may indeed be unhealthy in a clinical sense. But such characterization only reestablishes the moral potential of the person as an agent. Denying this potential is itself an act of ideological repression.

Such considerations lead us to think of a second type of moral agent. This is a subject whose awareness has unfolded to such an extent that he/she is able to *conceive* of himself/herself as a moral agent. However, such awareness also encompasses the repression that accompanies our insertion into the symbolic. Thus his/her moral insights about himself/herself and the world also include a recognition of human vulnerability, epistemic shortcomings and the need for a *twofold dialogue*. This dialogue is, on the one hand, a conversation within oneself<sup>5</sup> and, on the other, a dialogue with the outside world.

Depending on the state of the individual psychoanalytic therapy may or may not be necessary for such subjectivity to occur. However, Khan has argued elsewhere (Khan, 1992, 1993a,b; 1995), in a just and democratic society, the resources for such therapy will be available to all. Here a further source of confusion may arise. There is a widespread view both within and outside of psychoanalysis that analysis

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‘shrinks the realm of the moral responsibility.’ As Sherman puts it, ‘there is the surface paradox that while morality is ubiquitous, the clinical hour boasts of time and space that is morally neutral...’(p. 1).

But as Wallwork (1991) has argued, psychoanalysis is uncompromisingly situated within an ethical perspective. Sherman follows and develops Aristotle’s critique of the Socratic denial that one can know what is good and fail to act on it. Aristotle, of course, claimed that Socrates’ denial of *akrasia* was simply ‘against the plain facts’ (*ta phainomena*). However, Aristotle views *akrasia* as an *intellectual* failure rather than a failure of desire. In discussing Freud’s own case of being afflicted by the ‘blindness of the seeing eye’ in his struggle to understand the case of Miss Lucy R.’s knowing and not knowing her love for her employer, Sherman explains:

*The Socratic dogma that knowledge can't be tyrannized by desire has long been abandoned. But against Kant, it is not simply the inner tribunal of conscience and moral judgment that will track down secret but motivating desires. Conflictual and concealed mental contents need a therapy of self-knowledge that does something other than continue to disavow them. They need to be heard from, in parliamentary fashion, and given their own voice as a part of coming to be united with avowed and endorsed interests. Therapeutically working through what is disavowed or repressed requires freedom from the stance of moral appraisal, even if the decision to submit to the analytic process might be thought of as a morally praiseworthy act in the most general sense of taking charge of one's character, and pursuing that project with courage. (Sherman, p. 13) But the outcome of the therapy when it succeeds is to produce a new type of agency. No longer split off from emotion's testimony, agency takes on a newer and bolder form. Psychoanalysis transforms the notion of moral agency by bringing the emotions to the center. In an ironic way, the "talking therapy" seems to be able to bring to moral agency those potential allies that moral theory, so often on its own, does not quite know how to train or enlist. (Sherman, pp. 22-23, emphasis ours).*

Therefore, for both types of subjects, it should be emphasized, the possibility of acting justly (or otherwise) remains open. In an unjust economy and society, most people are victims of oppression and injustice. In a nearly just society, such institutionalized injustice disappears, but there could still be unjust actions by individuals for which they should be culpable. However, in a well-ordered society, the view towards crime and punishment may be very different from ours. Instead of responding to issues of guilt with conventional punishment, a more compassionate, therapeutic approach may be taken.

The point of this paper, of course, is not to produce a blueprint for a future just society, but to open up the possibility of such a discourse even under the postmodern conditions of epistemic uncertainty and anti-foundationalism. Enough has been said to show that even a radical epistemic uncertainty is consistent with the two kinds of subjects discussed. The previous discussion of a Hegelian approach to foundationalism was intended to show that anti-foundationalism is also

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consistent with asystemic approach to economic and social justice. Thus, both at the level of large-scale social and economic structures and at the level of the individual's epistemological uncertainties, anti-foundationalism need not lead to skepticism, relativism and ultimately nihilism.

## Conclusions

We have offered a somewhat novel theory of deep democracy from a political and social economy point of view. The theory of deep democracy presented here makes a distinction between formal aspects of democracy and the deeper structural aspects. In order for democracy to be deep, democratic practices have to become institutionalized in such a way that they become part of normal life in a democratic society. In this sense, ontologically, deep democracy overlaps with Barber's idea of strong democracy. There are, however, epistemological differences as well as differences of emphasis, particularly in the economic sphere. Cluster conditions for deep democracy include both cultural-political and socio-economic conditions.

Our theory of deep democracy also answers important skeptical challenges of postmodern philosophers. Epistemologically, the postmodern dilemma arises from a correct critique of metaphysics and transcendentalism. However, the critique is partial and negative. It is partial in the sense that it does not take the challenge of Kant to develop normativity seriously enough to explore alternatives as Hegel did. It, therefore, pursues entirely the negative critical path leading to thoroughgoing skepticism and nihilism.

In our approach, a concrete set of institutions consistent with the development of self-determination can be seen as necessary for the idea of deep democracy and economic justice to have meaning. In the spheres of production, distribution, exchange, law and contracts among others, the development of appropriate political, economic and social institutions allowing this inter-subjective idea of freedom to unfold becomes the thematic development of economic justice and democracy.

An important problem in this context is the coherence of the concept of the moral subject. By carefully considering poststructuralist psychoanalytical theory of Lacan and others a dynamically oriented approach to the question of the subject becomes possible. Pre-Freudian thinkers such as Hegel or Marx did not see the formation of the individual in all its deeply problematic aspects. However, the 'speaking subject,' though not innocent (as Hélène Cixous wittily put it), is nevertheless capable of agency under specific social and economic conditions. A continuum of subjectivity ending with the fully liberated individual offers various possible levels of moral agency. In an economically and socially unjust setting radical analytic and social interventions will be necessary for these possibilities to materialize.

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Deep democracy and economic justice, therefore, can be presented as a coherent set of positive requirements. It is part and parcel of the need for rational autonomy in our world. The cluster conditions we give together with the social capabilities perspective offer a way of defending and advancing the justification for deepening democracy.

Notes:

1. As interpreted by Khan (1998: 95). Here, Khan emphasizes the irreducibly social nature of certain capabilities.
2. See, for example, Althusser's essays on ideology in *For Marx and Lenin and Philosophy*. Althusser seems to misconstrue Lacan's concept of the *imaginary* (and implicitly, the mirror stage) in the former.
3. It is not clear if Lacan himself would go so far, but most postmodernists, French and non-French alike (e.g., Foucault and Rorty), have taken this position.
4. We hope it will become clear in the following discussion that actually there is a continuum of subjects within this dynamic setting.
5. Or, to be more precise, an 'interior monologue' where the unconscious processes are symbolized, interpreted and conceptualized.

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