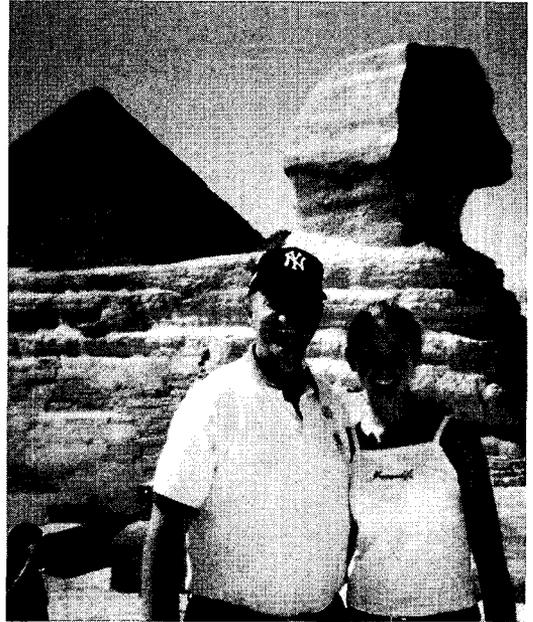


IDEAS
ON LIBERTY
AUGUST 2001

Whatever Happened to the Egyptians?

“Governments are generally reluctant to admit mistakes and to change mistaken policies until much harm has been done.”

—P. T. BAUER and B. S. YAMEY¹



Mark Skousen and daughter Hayley in Egypt earlier this year.

In *Whatever Happened to the Egyptians?* (American University in Cairo Press, 2000), a popular book in Egypt, author Galan Amin raises a good question. Thousands of years ago Egypt was the birthplace of one of the world’s greatest civilizations, with remarkable advances in architecture, astronomy, mathematics, and economics. The pharaohs ruled the world for centuries.

But today Egypt is a fallen nation. On our arrival earlier this year at the port of Alexandria, once the “city of dreams,” we saw garbage and dust scattered profusely on the public highways. Arriving in Cairo to see the ancient pyramids, we saw filthy canals, undrinkable water, dire poverty, noisy traffic, teeming millions, incessant vendors, and more dust.

I picked up a copy of a guidebook on what

Mark Skousen (www.mskousen.com; mskousen@aol.com) is an economist at Rollins College, Department of Economics, Winter Park, FL 32789, a Forbes columnist, and editor of Forecasts & Strategies. His new book, The Making of Modern Economics, is available from Laissez Faire Books, 800-326-0996.

it’s like for a Westerner to live in Cairo. Author Claire Francy lists so many shortages that she urges foreign residents to bring the following with them: answering machine, major appliances, computers, modems, printers, telephones, fax machines, cosmetics, flashlights, pantyhose, wines, books in English, clothes, and shoes. Yes, shoes. “In a city with nearly as many shoe stores as feet, it is almost impossible to find decent shoes.”² Oh, the joys of import-substitution laws!

And yet Egypt has tremendous resources: oil, cotton, some of the best fertile land in the world along the Nile Valley, a first-rate irrigation system, the Suez Canal, and a huge labor force (nearly 70 million and growing rapidly). Yet true unemployment is 20 percent, and underemployment is endemic. Egypt suffers from a huge “brain drain,” with 2.5 million Egyptians working abroad. The nation has illiteracy rates of 66 percent among women and 37 percent among men. It imports half of its food. After Israel, this Arab-African nation is the highest recipient of U.S. foreign aid in the world.

Islamic Economics

What's the cause of this economic collapse? A few blame their Islamic religion for their troubles. Over 90 percent of Egyptians are Sunni Muslims who, critics say, pray too much (five times a day), are overly generous to the poor (and thus support a socialistic welfare state), bear too many children (Egypt has one of the highest birthrates in the world), and suffer an excessive financial burden (in the practice of providing housing for their children as a marital dowry). Egyptians are constantly celebrating holidays, among them the month-long Ramadan consisting of daytime fasting and nighttime feasting, when business activity becomes erratic.

But religion is not the true cause of Egypt's struggles. The real culprit is socialist interventionism in the economy. As one unnamed economist states, "The Egyptian economy bears the legacy of economic policies dating from the 1950's which were motivated by concern for equity and assistance to the poor. These policies were characterized by price regulation, subsidization of consumer goods, a dominant public sector and state control."³ When Gamal Abdel Nasser gained power in 1954, he established a "democratic socialist state," nationalized everything under the sun (including the local beer company), and dramatically increased government control of the economy. Moreover, under a Napoleonic code, Egypt suffers from a regulatory nightmare of paperwork and bureaucracy.

One of the most harmful policies in Egypt has been import-substitution laws—the use of tariffs, quotas, subsidies, and restrictions to protect and promote local production of all kinds of consumer goods, from shoes to toothpaste to automobiles. This form of protectionism has been popular in Third World countries since development economists such as Gunnar Myrdal and Paul Rosenstein-Rodan claimed that import restrictions would stimulate domestic industry and employment. In Egypt, for example, the U.S. government spent roughly \$200 million to help Egypt cre-

ate a domestic cement industry, even though cement could be obtained more cheaply abroad.

Such policies have proven counterproductive. Today Cairo is covered with dust caused by the local cement factories. Egypt's import-substitution laws have created shoddy workmanship and above-market prices in shoes, appliances, and consumer products. Today most economists have changed their mind about import-substitution laws, admitting that they stifle growth. They point to the rapid expansion of East Asian nations, which eschewed import substitution and have concentrated on producing inexpensive exports.⁴

Fortunately, Nasser's successor, Anwar el-Sadat, began a program of reducing the role of government. After his tragic assassination in 1981, Hosni Mubarak accelerated market policies of privatization and foreign investment, and eliminated price and exchange controls. The local beer company is now in private hands. Yet even today, 36 percent of the labor force is employed by the government and the economy continues to suffer from over-regulation and controls.

Egypt has made substantial progress since 1990, when the Fraser Institute ranked it 88th in the institute's economic freedom report. Today it is ranked 52nd.⁵ But clearly the Egyptian leaders have a long way to go to fulfill the Koran's promise of "wealth and children" as the "adornments of this present life." □

1. P. T. Bauer and B. S. Yamey, *The Economics of Underdeveloped Countries* (Cambridge: Cambridge University Press, 1957), p. 157.

2. Claire E. Francy, *Cairo: The Practical Guide*, 10th ed. (Cairo: American University in Cairo Press, 2001), p. 68. This guidebook is both shocking and indispensable for anyone moving to or studying this strange Arab nation. I placed exclamation points on practically every page.

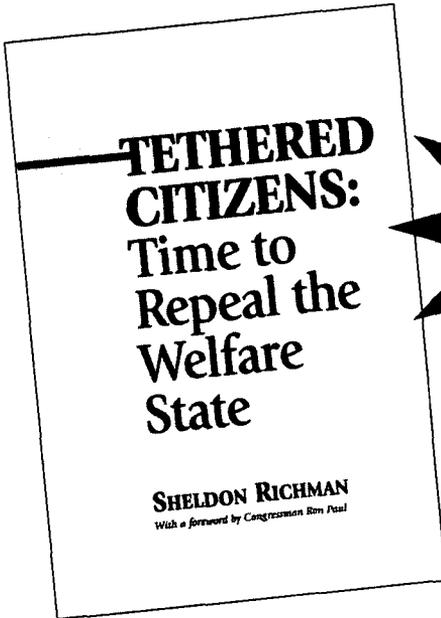
3. Cited in W. W. Rostow, *Theorists of Economic Growth from David Hume to the Present* (New York: Oxford University Press, 1990), p. 423.

4. Doug Bandow, "The First World's Misbegotten Economic Legacy to the Third World," in James A. Dorn, Steve H. Hanke, and Alan A. Walters, *The Revolution in Development Economics* (Washington, D.C.: Cato Institute, 1998), pp. 217, 222–23.

5. James Gwartney and Robert Lawson, *Economic Freedom of the World, Annual Report 2001* (Vancouver, B.C.: Fraser Institute, 2001), pp. 9–10.

ORDER FFF's newest book,
Tethered Citizens: Time to Repeal the Welfare State
by Sheldon Richman

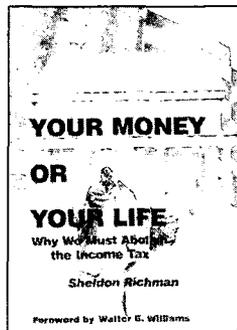
150 pages
\$24.95 cloth
\$15.95 paperback



"Sheldon Richman has produced a book that is essential reading for any American wishing to understand how the welfare state is incompatible with constitutional government and a free society."

— Congressman Ron Paul

... and get the cloth edition of Sheldon's book about income tax, *Your Money or Your Life*, for only \$10.



ORDER NOW!!

or

order on our website
www.fff.org

Send your order to:

The Future of Freedom Foundation

11350 Random Hills Road, Suite 800, Fairfax, Virginia 22030

(703) 934-6101 Fax: (703) 352-8678 email: fff@fff.org www.fff.org

(add \$3 for shipping and handling)

BOOKS

Losing the Race: Self-Sabotage in Black America

by John H. McWhorter

Free Press • 2000 • 285 pages • \$24.00

Reviewed by Ward Connerly

Sisters Venus and Serena Williams are two of the top women's tennis players in the world. Understandably, they avoid entering the same tournaments. At the major tournaments, however, they can't avoid it. At a recent tournament in Indian Wells, California, Venus and Serena were scheduled to face each other in the semifinals. Ten minutes before the match began, Venus withdrew. A doctor verified that tendonitis in her knee was acting up, but many observers suspected that their father, Richard Williams, had ordered her to withdraw. Giving voice to those suspicions, spectators at the finals booed Serena.

While getting booed is never easy, only an American black steeped in victimology would perceive racism in it. As Mr. Williams related to reporters after the match, "That was the worst act of prejudice that I have seen since they killed Martin Luther King. I don't think things have changed. I just think they're more camouflaged and covered up."

It is disturbing that Mr. Williams feels so comfortable crowing about the racism he claims permeates women's professional tennis. The sport has earned his daughters millions of dollars in prize money and endorsement deals; allowed them to leave Compton, California, and travel the world; and placed both Serena and Venus on the cover of *Sports Illustrated*. Despite the tremendous boon that the Williams sisters are to women's tennis, he would have us believe that what the fans and tennis officials really want to say is, "Go home, nigger."

As John McWhorter explains in his new book, *Losing the Race: Self-Sabotage in*

Black America, posturing like that has come to largely define what it means to be black in America.

McWhorter, a linguistics professor at Berkeley, traces this posturing to three cultural diseases: victimology, separatism, and anti-intellectualism. He demonstrates that these strains infect the entire spectrum of "black" culture. From the black student pursuing "doctorial" studies to a black-student recruiter from Berkeley worried that black students who get into Berkeley without preferences "aren't concerned with nurturing an African-American presence," McWhorter introduces us to characters we recognize and shows how their words and actions reveal their belief in these cultural diseases.

Victimology is a lens that refracts present conditions through the prism of past injustices. This prism allows blacks to foster a sense of victimhood where it doesn't exist, thereby placing responsibility for solving existing problems on the perceived oppressor. It provides the fleeting emotional charge all underdogs enjoy, but prevents the underdog from actually succeeding. In chasing after the siren song of victimology, they drain the energy needed to achieve.

Victimology also conditions black people to believe that their perceived victim status exempts them from rules that govern other Americans. For example, McWhorter relates stories of black scholars unwilling to engage in the nuanced weighing of evidence that forms the heart of academic work. Despite not even attempting to marshal evidence in support of their conclusions, or to show why alternate explanations are less plausible, conference goers often laud them for "telling it like it is," or at least for having presented "a valid point of view."

Victimhood spawns separatism, the second disease McWhorter proffers as defining cultural blackness in modern America. Separatism feeds the third characteristic disease of contemporary social blackness, anti-intellectualism. McWhorter rehashes the well-known statistics about how poorly black students of all social backgrounds perform on various measures of educational achievement. Because this poor showing permeates all