The Mwasasa Iqtisadia

The year 1957 witnessed the great shake-up in Egypt, when the British, French and Belgian capital that had dominated the modern industrial sectors of the economy was sequestrated. What was to be done with it? Two opposing plans took shape among the Free Officers: either to transfer ownership, with or without payment of its real value, to big private Egyptian capital (much of which, especially in the case of the MISR group, had been an associate more than a competitor of foreign capital); or to nationalize the property and create a public sector large enough to launch accelerated development of the economy. In the end, Nasser opted for the second path, although here and there, on the margins, Egyptian capital was allowed a stake in the new state sector.

This raised the question of how the enterprises were to be managed and their development planned. Ismail Abdallah was assigned to gather the necessary information: the country's leaders knew him as a Marxist economist, especially as they had jailed him as a communist in 1954 and released him only in 1956; he was respected both for his intelligence and for his national sensibility. In his view, the danger was that management functions would be assigned to a political clientele (mainly consisting of officers) who, while formally depending on various ministries, would not be held answerable for very much, with the result that fragmented control would be compounded by managerial incompetence. Ismail therefore proposed what seemed to me the best solution: an autonomous state holding institution, along the lines of Italy's IRI, which would select the directors of individual companies and set the broad guidelines for their management and growth. A body of this kind, the Mwasasa Iqtisadia (or Economic Institution), was created in 1957. Its chairman was inevitably an officer close to Nasser, but fortunately the appointee – air force officer Hassan Ibrahim – was the least objectionable choice. More cut out for honours than for sustained work, he was happy to dabble in his own private sidelines without interfering in the affairs of the institution. Its real managing director, in fact, was Sedki Soliman, an engineer by training, whose lack of corruption and capacity for hard work and meticulous organization were later demonstrated as minister in charge of the Aswan High Dam project. But Sedki Soliman also had his limitations: he was a real technocrat, with only a pragmatic grasp of economics and no political vision other than a national-populist patriotism.

Ismail, who had had the idea of the institution, was appointed director in charge of its economic decisions. As a communist, he could not have been given a higher position, but it was certainly not bad. With his strong personality and talent for argument, he was really able to influence the major decisions during his year in office, 1958. He tried to find a good team for this purpose and had obviously been thinking of me from the beginning. This was how I came to be interviewed and appointed by Sedki Soliman.

The Mwasasa was not a giant bureaucracy, and we had to avoid this typically Egyptian defect. It was therefore installed on the top floor of the Bank of Alexandria – formerly Barclays Bank, now nationalized – on Kasr el Nil Street in the city centre.

I could have walked there from my home at Bab El Louk, but I always took my big old Ford.

Our little five-man team in the office next to Ismail's included Sobhi el Atrebi – who went on to become an undersecretary of state – and Yousry Ali Moustapha, who had obtained his doctorate in economics at the same time as I. (Much later, under Sadat in the 1980s, I saw him again in his prestigious office on Adli Street, where he was economics minister in the Atef Sedki government.) We had two tasks: to prepare a 'weekly bulletin' (Nashra) which, through analysis of enterprise problems and the presentation and discussion of decisions, would serve an educational purpose for the often inexperienced Egyptian managerial staff; and to offer in-depth studies of economic problems in the sectors relevant to our enterprises. I became especially concerned with the latter, while Sobhi took charge of most of the work on the bulletin.

My research work on the major sectors of the modern Egyptian economy – cotton and textiles, food industries, construction materials, chemicals, mining, steel and engineering – therefore involved tracing their history, analysing their problems and assessing their future prospects. I left behind a mass of studies that will be of use to students interested in the country's past and the Nasserite experience. I also looked into the High Dam project – which, after all, permitted Egypt to face without much difficulty the drought that hit the African continent in later years – and can say here that the excellent Egyptian technicians who worked on it were already aware of many of the problems that emerged later, when the dam was already up and running and new land had been wrested from the sands (though not adequately drained, because of lack of resources). Many of today's ecologists, failing to appreciate that in Egypt water is a factor without which life is simply impossible, have light-mindedly taken over the wretchedly negative positions of the Americans, who were understandably upset that the World Bank's refusal to fund the project without unacceptable political conditions had not had the desired effect (since the Soviets stepped in and eventually helped to build the dam at much less than the Bank's estimated cost).

My functions at the Mwasasa led me to take a close interest in the management of the new public sector, and to follow the discussions and decisions of its various enterprise boards. I could see how the 'new class' was taking shape, how the private interests of many of these gentlemen dictated too many of the decisions, and how the workers' representatives (one of Nasser's initiatives, excellent in principle) were being marginalized, duped or bought off.

All through 1958 Ismail performed his work at the institution with great skill. A lot was needed. For the pharaonic state bureaucracy was riddled with all manner of contradictions and conflicts, some of them worthily expressing divergent political visions, others more crudely reflecting a clash of personal or clan interests. Basically, there were four decision-making centres that disagreed more than they agreed about the direction in which the country should develop: the Mwasasa, the planning ministry, the finance ministry (on which the Central Bank depended) and the industrial bank.

At the Mwasasa, it was not possible simply to manage the public sector on a day-to-day basis; its development had to be planned. But was that not a task for the new planning ministry? Well, anyway it did not assume the task. Its technical experts – often high-quality people like Nazih Deif, my main contact there – had been geared up (or had geared themselves up) for the designing of 'growth models'. Of course, I am not hostile to models in principle; they are necessary to test the coherence of policies in different sectors or areas of the economy. However, the model should come not before but after the social and political objectives have been defined, whereas technocrats often delude themselves that they can escape responsibility for this by devising a supra-political, supra-social model. Charles Prou, who worked under Claude Gruson at the French planning think-tank and came on an assignment to Cairo, shared my opinion. Together, we tried to persuade Deif – but to no avail. In short, the Plan did not interfere with us, but it served no purpose as a reference.

Mwasasa's role in developing the public sector had to be funded, and this brought us up against the competing visions of the finance ministry and the Industrial Bank. The former, an institution as old as Egypt itself, had certain habits that it was virtually impossible to change. The Treasury had always funded irrigation and the railways, and when the economic crisis of the 1930s threatened large landowners with bankruptcy it extended this support to real estate credit (taking over from the banks to which the landowners were indebted) and to various funds created ad hoc to limit the damage due to inflation. Each of these functions was discharged by a separate department, and the lack of communication among them resulted in considerable waste and absurdity. Moreover, the Treasury had never thought of funding industry itself, nor had industry ever demanded it, being content to base its profitability on monopoly advantages from tariff protection and access to public markets.

The National Bank, now nationalized and serving as a central bank, was in the highest degree conservative: it was meant to ensure the stability of the currency (which it did well enough), but nothing beyond that.

My absorbing study of this jumbled system of public finances later stood me in good stead when I had to delve into the equally confused Treasury accounts in Mali, Ghana (during the Rawlings period), Congo (under Noumazalaye) and Madagascar (under Ratsiraka). I discovered in Egypt that there were huge amounts of unused national wealth in the hands of the recently nationalized wakfs (religious trusts). But our proposals to mobilize this for industrialization were turned down, for the simple reason that the armed forces had their fingers in the pie – not only to buy weapons but also to build housing for the officer corps.

There remained only the Industrial Bank, the regime's own creation, which was theoretically controlled by the new ministry of industry (now in- dependent of the finance ministry). Our loyal friend, the fellow-communist Hassan Abdel Razek, was the Bank's chief economist. We often discussed with him this or that project, and usually (though not always) came to the same conclusions, but we were not able to follow up our proposals with appropriate action. At the ministry of industry, which had the final decision-making powers, all the shots were being called by more or less corrupt and incompetent (or, for one reason or another, impossibly stub- born) shilals26 of officers and others. It was they who 'planned' reality, in a complete disorder antithetical to the very concept of planning.

I am going into some detail here because books about the period mostly limit themselves to abstract and general descriptions of Nasserite planning, as if it had rationally applied what was written in the relevant public statements and texts, as if its 'failure' had to do with its very principle.

The year 1958 was hard, and 1959 harder still. The post-Suez honey- moon proved to be short-lived, as the regime refused to accept communist criticisms of the bureaucratic, anti-democratic vision of Egyptian–Syrian unity. On 1 January 1959, the police arrested communists by the thousand. I escaped this first round-up, but Ismail did not. We therefore no longer had a director, and the position remained vacant for the rest of the year. I no longer had 'my heart in the job', but I decided not to remain idle. I therefore continued my research with the same intensity as before, to improve my own knowledge of the reality of the Egyptian economy. The book *L'Égypte nassérienne*, which I published in 1963 under the pen name Hassan Riad (in fact, my underground name), owes a great deal to the information I collected during that period.

(*Memories* pages 83-88)