



## What Egyptians Need

What Egyptian citizens must recognize is that political liberty thrives best where there's a large measure of economic liberty. The Egyptian people are not the problem; it's the environment they're forced to live in. Why is it that Egyptians do well in the U.S. but not Egypt? We could make the same observation about Nigerians, Cambodians, Jamaicans and many other people who leave their homeland and immigrate to the U.S. For example, Indians in India suffer great poverty. But that's not true of Indians who immigrate to the U.S. They manage to start more Silicon Valley companies than any other immigrant group, and they do the same in Massachusetts, Texas, Florida, New York and New Jersey.



According to various reports, about 50 percent of Egypt's 83 million people live on or below the \$2-per-day poverty line set by the World Bank. Overall, unemployment is 13 percent, and among youths, it's 25 percent. Those are the official numbers. The true rates are estimated to be twice as high.

Much of Egypt's economic problems are directly related to government intervention and control, which have resulted in weak institutions so vital for prosperity. As Hernando de Soto, president of Peru's Institute for Liberty and Democracy, wrote in his *Wall Street Journal* article titled "Egypt's Economic Apartheid" (Feb. 3, 2011), more than 90 percent of Egyptians hold their property without legal title. De Soto said: "Without clear legal title to their assets and real estate, in short, these entrepreneurs own what I have called 'dead capital' — property that cannot be leveraged as collateral for loans, to obtain investment capital, or as security for long-term contractual deals. And so the majority of these Egyptian enterprises remain small and relatively poor."

Egypt's legal private sector employs 6.8 million people, and the public sector has 5.9 million. More than 9 million people work in the extralegal sector, making Egypt's underground economy the nation's biggest employer. Why are so many Egyptians in the underground economy? De Soto answered by giving a typical example: "To open a small bakery, our investigators found, would take more than 500 days. To get legal title to a vacant piece of land would take more than 10 years of dealing with red tape. To do business in Egypt, an aspiring poor entrepreneur would have to deal with 56 government agencies and repetitive government inspections." According to the World Bank, in terms of the difficulty of doing business, Egypt ranks 109th out of 185 countries.

What needs to be done? Although it shouldn't be seen as a general strategy, there is at least one notable case in which a military coup and subsequent rule worked to the great benefit of a nation. A July 5 [Investor's Business Daily editorial](#) was about Chile's 1973 coup, which toppled the democratically elected Salvador Allende government and put Chilean military commander Augusto Pinochet in charge. Pinochet used his military dictatorship to create free market reforms by eliminating thousands of



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restrictive laws governing labor, mining, fishing, vineyards, startups and banking that were choking Chile's economy. As a result, Chile became Latin America's best economy and today has Latin America's most durable democracy. That's the upside to Pinochet's rule. The downside was the regime's corruption and atrocities.

Western intellectuals, pundits and politicians are mistakenly calling for democracy in Egypt. But there's a problem. In most countries in the Arab world, what we know as personal liberty is virtually nonexistent. Freedom House's 2011 "Freedom in the World" survey and Amnesty International's annual report for 2011 labeled most North African and Middle Eastern countries as either "repressive" or "not free." These nations do not share the philosophical foundations that delivered the West from its history of barbarism, such as the Magna Carta (1215) and later the teachings of such philosophers as Francis Bacon, John Locke, Thomas Hobbes, David Hume, Montesquieu and Voltaire.

Personal liberty is important, but the best route to that goal is what Egypt needs most — reforms that create economic liberty.

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