



Introduction by HERNANDO DE SOTO

The Western media has described the revolutions underway across the Middle East and North Africa as a youth rebellion, fueled by Facebook, Twitter and YouTube. Not enough credit has been given to the unifying force that triggered what has become known as “The Arab Spring” – an emerging class of entrepreneurs who will no longer accept being deprived of their property and business rights.

According to the research that my organization, the Institute of Liberty and Democracy (ILD), has done, market economies have been growing in the region for decades, albeit in the shadows of the law; some 180 million people work in and around these extralegal markets. This excluded majority is now raising their voices to heaven in what I believe is an Arab economic revolution – a revolution that those of us committed to emancipating the poor by awarding them property rights must help succeed.

Karl Marx long ago warned that a powerless underclass can turn revolutionary when united by common suffering – especially when a martyr embodies that suffering. The Arab economic revolution found its martyr in Mohamed Bouazizi, a 26-year old Tunisian fruit vendor who immolated himself in Sidi Bouzid in December 2010, after police confiscated his merchandise. Last year, I led a team of ILD researchers to find out more about this young man whose suicide literally sparked a revolution. We talked to his fellow vendors, members of his family and local activists and extralegal entrepreneurs in Sidi Bouzid and elsewhere in Tunisia.

I have reported our findings elsewhere, (see IPRI website). Here I want to emphasize why Bouazizi is so important to those of us who believe that property rights are essential to economic development.

An hour before he flicked on his lighter, a policewoman, backed by two municipal officers, had expropriated his two crates of pears (\$15), a crate of bananas (\$9), three crates of apples (\$22) and a second hand electronic weight scale (\$179). While the loss of a total of \$225 might not seem sufficient to justify suicide, consider the implications for a poor extralegal entrepreneur like Bouazizi: Without his goods, he would not be able to feed

his family – or avoid bankruptcy since he couldn't pay the informal creditors from whom he had borrowed the money to buy that fruit; without that scale, he no longer had access to standardized markets and his accountability to customers; when the police terminated his arrangement to park his stand, he lost his informal property right.

Not only had the police wiped out his business, they also confiscated the future Bouazizi had been dreaming about since he began working in the Kasbah at age 12: the possibility of being able to afford to title his family house, which then could be used to buy a truck and expand his business. Millions of other Arab extralegal entrepreneurs who identified with Bouazizi's struggle for the right to hold property and do business without being hassled by corrupt authorities took to the streets. "We are all Mohamed Bouazizi," a young IT graduate working as a merchant in the Tunis market told me. In fact, during the first 53 days after Bouazizi immolated my team discovered that at least 35 more poor Arab entrepreneurs whose assets had been confiscated also lit themselves on fire – everywhere in the region -from Algeria, Egypt, Morocco to Syria.

The Arab Spring has economic roots and they are mainly about the lack of legal property and business rights.

Arab economic extralegality is massive. Our research in Tunisia revealed that 92 percent of the population holds its real estate extralegally, -without formal property rights- while 99 percent of entrepreneurs operate outside the law. In Libya, ILD found that 82 percent of entrepreneurs – and 90 percent of the property – were extralegal, which squared with our earlier research in Egypt (90 percent of real estate extralegal; 85 percent of businesses). And little wonder, considering the obstacles to legal property and business: ILD found that it took upwards of 10 years for Egyptians to get authorization to build on a vacant plot of desert – 1.5 years to incorporate a bakery.

The result is an astonishing amount of dead capital languishing in the region's extralegal economies. ILD estimated in Egypt alone the property and business assets were worth \$347 billion – six times the foreign direct investment since Napoleon departed in 1801. Without property rights most Arab entrepreneurs do not have the potential to capture new investment, raise capital, limit personal or family liability, and all those other legal tools that entrepreneurs in the West take for granted.

If the history of the Western industrial revolution is any guide, the martyrs of the Arab Spring are just the first signs of a mounting storm. The local activists who have taken the movement's lead – and Western governments that never saw it coming – ignore these Arab entrepreneurs at their peril.

Warmest regards,



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