

## In Memory of Dr. Ali Al-Gritly (1913-1982): His Views on Egypt's experience with Socialism

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**In Memory of Dr. Ali Al-Gritly (1913-1982):  
His Views on Egypt's Experience with Socialism**

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**March 2009**

**Abstract** This essay reexamines the great contributions made by Dr. Ali Al-Gritly to Egypt. He was the finance minister for a short period at the beginning of the 1950s and later was appointed as chairman of the Bank of Alexandria.

In 1966, he completed a book (Al-Gritly [1966 (1974)]) on the economic history of Egypt. However, the book was banned from publication due to irresistible circumstances. At that time, with Arab Socialism on the ascendance, his views on certain policies were not welcomed by the top political hierarchy. In 1974, the book was finally allowed to be published, and he wrote and published another book in 1977 (Al-Gritly [1977]) on the development of the Open Door Policy and the new economic policies accompanying it.

**Keywords:** Ali Al-Gritly, economic history, Egypt, socialist transformation, democratic socialism, family planning,

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## **In Memory of Dr. Ali Al-Gritly (1913-1982): His Views on Egypt's Experience with Socialism**

### **I. Introduction**

This essay reexamines the great contributions made by Dr. Ali Al-Gritly to Egyptian society. He was the country's finance minister for a short period at the beginning of the 1950s and later was appointed as chairman of the Bank of Alexandria. He wrote extensively on the July 23 Revolution of 1952 with special emphasis on the subsequent socialist economic policies and planning. In fact, he ranks among the five or ten greatest economists of Egypt, and he significantly influenced Egyptian society after the revolution.

His intellectual life was devoted to carrying out theoretical and empirical studies on the economic development of Egypt in general and on its industries and banking sector in particular. He studied the logic and the economic theories of John Stuart Mill (1806-1873) and asserted that there was an urgent necessity for social reforms and the application of socialism in Egypt. Also noteworthy is the fact that he proposed family planning, which originated with Thomas Malthus (1766-1834). As he became engaged in seeking a socialist solution for the underdevelopment in Egypt and the endemic problems which included poverty, lack of education, and disease, he learned much from the gaps between the theory of socialism and its practice in Egypt as well as in the Soviet Union.

In 1966, he completed a book (Al-Gritly [1966 (1974)]) on the economic history of Egypt, including its socialist experiment. However, the book was banned from publication due to irresistible circumstances (*al-zruf al-qahira*)<sup>1</sup>. At that time, with Arab Socialism on the ascendance, Al-Gritly's views on certain policies were not welcomed by the top political hierarchy. In 1974, the book was finally allowed to be published, and he wrote and published another book in 1977 (Al-Gritly [1977]) on the development of the Open Door Policy and the new economic policies accompanying it.

This article analyzes Egypt's experiment in the application of socialism in memory of Dr. Ali Al-Gritly.

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<sup>1</sup> The words were seen in the foreword added in September 1974 (Al-Gritly [1966 (1974), 8]).

## II. Dr. Ali Al-Gritly's Background

He left two notable books to Egyptian society. One is “The Economic History of the Revolution: 1952-66”<sup>2</sup> (Al-Gritly [1966 (1974)]), and the other is “Twenty-Five Years of the Revolution: Analytical Studies of the Economic Policies in Egypt 1952-1977” (Al-Gritly [1977]). Since the latter is referred to as “The 25 Years” in the academic society, the former is called “The 15 Years” herein<sup>3</sup>. As both books are written in Arabic, it is important to introduce these works to other societies including Japan.

The different character of the two books arises from the dramatic changes in Egyptian politics that occurred after the first one was written and the accumulation of academic and managerial experience by Al-Gritly.

“The 15 Years” deals with Egyptian economic history up to the mid 1960s when Arab Socialism was at its peak and it was believed that the system would survive for a prolonged period. Al-Gritly conducted his evaluation of Egypt's First Five-Year Plan (1960/61 - 64/65) presented in the book on the assumption that the evaluation was tentative and that his decisive conclusion would be produced after an examination of the final statistics. His analyses deeply reflected the current international concerns and disputes over the viability of socialism and the economic calculation (Dobb [1955]). He did not unquestioningly believe the slogans and ideology of Arab Socialism, which were presented in the Charter of National Actions (known as “the Charter”) and legislated in 1962. As his studies were objective, economic studies, there was concern that his findings might be viewed as criticism of the sole ruling party, the Arab Socialist Union (ASU). Consequently, the irresistible situations prohibited publication of his writings.

Before proceeding to analyze his studies, let us refer to his thinking and ideology as presented in the articles penned by his friends in memoriam after he passed away in 1982<sup>4</sup>. Al-Gritly was born in 1913 in Alexandria to a family engaged in the trade of construction materials (Fahmy [1983, 11-12]). He was raised in favorable conditions and was exposed to an academic environment by his maternal uncle who taught Arabic at Oxford University. After his graduation from Cairo University in 1933, he received his doctoral degree from the London School of Economics (LSE) in 1947. For a while, he was employed at Misr Bank and became acquainted with Talat Harb, the founder of the bank. His thesis was reprinted in the

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<sup>2</sup> *Al-Tarikh al-Iqtisadi lil-Thawra 1952-1967* (Al-Gritly [1966(1974)]).

<sup>3</sup> *Khamsa wa 'Ishrin 'Amman lil-Thaura -Dirasat Tahliliya lil-Siyasat al-Iqtisadiya fi Misr* (Al-Gritly [1977])

<sup>4</sup> Every national newspaper expressed mourning for him and praised his contribution to Egypt.

L’Egypt Contemporaine (Al-Gritly [1947])<sup>5</sup>. According to Professor Hussein Fahmy of the University of Alexandria, Dr. Al-Gritly read Mill’s “On Liberty (1859) “repeatedly and also read his “Principles (1848).” At the same time, he studied utilitarianism as propounded by J. Bentham (1748-1832). He was teaching at Cairo University and Alexandria University (from 1942 to 1952), and during this period, he was also employed at the Central Bank and the IMF (in 1949).

Fahmy stated that Al-Gritly was a liberal and that he believed in liberalism in politics and socialism in economics (Fahmy [1983, 15]). In other words, he was a socialist beyond a doubt; however, his socialism was a form of democratic socialism close to Western socialism (rather than Marxism). One of his favorite phrases was that “economics is politics, and politics deals with economic issues.” Thus according to Fahmy, his socialism did not contradict his liberalism. He believed in social reforms with increased governmental intervention to the extent that such intervention did not infringe upon citizen’s rights or create disincentives for the private sector. Or he was in favor of a welfare state, and his political stance was to the left of center (Fahmy [1983, 17]). In fact, his economic proposals were, thus, substantial institutional reforms for income redistribution to achieve equity, consistent with John Stuart Mill. In addition, he was eager to implement family planning, and like Mill, he was influenced by Thomas Malthus’ ideas on population and social problems.

In 1953, he was appointed by the revolutionary government as Finance Minister. He resigned immediately after a prominent political struggle between Naguib and Nasser during January to April 1954 (Rodinson [1968, 94-100]), but his reasons are not clear as he did not make any statement<sup>6</sup>. It is rumored that the government would not listen to his opinion on an important issue (Amin [1982])<sup>7</sup>. After that, he was employed by the Central Bank of Egypt (CBE) as vice chairman and was assigned to manage the sequestered British and French financial assets which came under Egyptian control due to Egypt’s declaration of nationalization of the Suez Canal Company in 1956 (Farid [1983, 6]). He managed the sequestered assets and in 1957 was appointed chairman of the newly established the Bank of Alexandria, which was the former British Barclays Bank and which was named by him. Concerning his aspirations toward the banking, Farid related several episodes, including one in which Al-Gritly quoted his favorite proverb that “Money does not grow on trees” (Farid

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<sup>5</sup> Also, “*Tarikh al-Sina’a fi Misr (The History of Industry in Egypt)* “(Al-Gritly [1952] was reproduced in Issawi [1966, 390-402].

<sup>6</sup> Abdel-Mun’im Sawi wrote that Al-Gritly acted upon his conscience and that he did not withdraw his resignation despite the attempts of the new Prime Minister Nasser to persuade him (*Akhbar al-Youm*, October 9, 1982).

<sup>7</sup> Some suspected that writing on the external debt might be one of the reasons (*Al-Akhbar al-Youm*, March, 12, 1984).

[1983, 8)]<sup>8</sup>.

In the banking sector reform in 1964, the Bank of Alexandria was assigned to the industrial sector. As Al-Gritly had visions of industrialization, he was the most suitable person for the duty; it may be said that he was “born to fill the position.” He intended to enhance the industrial capacity of Egypt, and he made the decision to finance some projects upon his own responsibility.

He continued his study and published “Population and Economic Resources in Egypt.” in 1962<sup>9</sup>. The purpose of the book was to clarify the critical situation of the population problem in Egypt at that time and to propose urgently-needed family planning policies. As this issue had not been breached previously in the national dialogue, it was courageous of him to open the topic for debate<sup>10</sup>.

While chairman of the Bank of Alexandria, he wrote several articles on financial developments in Egypt, especially concerning the Central Bank of Egypt (CBE) and commercial banks in collaboration with his above-mentioned colleagues. In keeping with his background, his evaluations were academic and objective and did not adhere to the socialist slogans. In addition, the scope of his works ranged from domestic development to international relations, reflecting his work in the Research Department of the IMF. From these experiences, he developed a strong interest in the economic stabilization program.

He finished the above-mentioned book, “The 15 Years,” in 1966, and as mentioned, it was banned from publication due to irresistible circumstances. After that he left the Bank of Alexandria, and he worked for the UNDP in Indonesia and Pakistan for less than four years. In 1972, he returned from the Asian countries and accepted a position with the Arab African International Bank while also teaching at Alexandria University. In 1974, following drastic changes in the political situation in Egypt, publication of “The 15 Years” was permitted. He did not dare to revise the book, and so he chose to write a new book on earlier issues of importance and current topics. Thus, “The 25 Years” was published in 1977.

At this point, let us present an overview of his extensive economic reference sources. These readings provided the theoretical foundations on which he built his analysis of the economic development of Egypt and Egypt’s adaption of socialism in “The 15 Years,” and these readings show that his mind had the ability to comprehend a vast range of issues. While

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<sup>8</sup> With Al-Gritly, Farid published several articles on the Egyptian banking and financial development. Also, they undertook a comparative study on the evolution of banking system in the Arab countries at the conference held in Beirut in September 1972 and they co-edited a book as the results from of their analyses (Al-Gritly & Farid [1973]).

<sup>9</sup> *Al-Sukkan wal-Mawarid al-Iqtisadiya fi Misr* (Al-Gritly [1962]).

<sup>10</sup> The topic included issues of sterilization and abortion as well as distribution of contraceptive methods (Al-Gritly [1962, 184-186]).

it is not a simple task to provide a comprehensive survey of his references, one can safely state that Al-Gritly was never an ideologue. His readings encompassed various, and sometimes opposing, schools of thought. One can identify numerous writings, mostly by neoclassical economists; for example, on economic development, he read Walt W. Rostow, Michael P. Todaro, W. Arthur Lewis, Alexander K. Cairncross, Benjamin Higgins, John K. Galbraith, Amalaya Sen, Bern Stein, Gerald M. Meier and Robert E. Baldwin. On the subject of socialism, he refers to the writings of well-known authors such as Joseph Schumpeter, Mauris Dobb, Paul Baran, Oscar Lange. With regard to government interest rate policies, he consulted John M. Keynes (1883-1946) and emphasized the necessity for internal and external equilibriums. However, it is obvious that his studies of the works of Arthur C. Pigou (1877-1959) and Fiedrich A. Hayek (1899-1992) strengthened his belief in the importance of economic disaggregation rather than simply focusing on aggregate statistics. From this followed his serious interest in the importance of detailed analysis of topics such as market concentration in the structures and mechanisms of economic activities. As Fahmy called him a genius (*'abqariya*), it is possible to imagine how deep and extensive his analyses must have been (Fahmy [1983, 13]). His approach to economic problems was the same as that of Pigou and Keynes, who confined themselves to economic analyses of economic problems without an agenda to propagate or defend any ideologies. The role of the economist was to analyze economic problems and devise proposals for future policies for the governments.

Al-Gritly's economic thoughts were grounded in the classical economics of Adam Smith and John S. Mill, and they were also influenced by the socialists' ideas of what constitutes proper justice. Such ideas were popular in England (and the European continent) during the time he spent in London doing graduate work around the end of World War II. Later on, he may have studied the Australian school that included Car Menger, Ludwig Mises and Friedrich A. Hayek because he used their method, the "compositive" method, in his analyses of socialist experiments.<sup>11</sup> He may have read "The Road to Serfdom" (Hayek [1944]) which criticized socialism, and he may have been familiar with Hayek's criticism of Keynes's "Constructivism." However, he consistently displayed a purely neutral, academic position, and he investigated the actual experiences and did not forget the necessity of comparison with other experiences (conducted comparative fieldwork studies).

Consequently, his evaluation of the socialist experience in "The 15 Years" could be regarded as criticism of the regime of Arab Socialism. In the foreword of the 1974 reprint of

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<sup>11</sup> In the conclusion of "The 25Years," he wrote words to the effect that subject of study is complex and so partial analyses are necessary to ultimately construct a clear picture in a unified framework (Al-Gritly [1977, 292])

“The 15 Years,” he wrote that the irresistible circumstances had prevented the book’s publication, as mentioned above. In Egypt, the political situation changed due Egypt’s defeat in the June War of 1967, the death of President Nasser in 1970, and Egypt’s victory in the October War of 1973. During this period, the new President Sadat achieved the Corrective Revolution in 1971 and ousted the extreme leftist, Ali Sabri, from the ASU. Sabri played an important role in the formulation of the socialist policies in the Charter of 1962 and was the Secretary General of the ASU and the Prime Minister in 1960s. Sabri, unlike Gritly, was not a strong believer in democracy. During his tenure, he and his aides were not above carrying out smear campaigns against those who did not share their socialist visions.

After the end of Sadat’s regime, Al-Gritly was recognized by the new President Mubarak in early 1982 as one of the leading economists<sup>12</sup>. After his death on October 8, 1982, Al-Gritly was granted the National Prize of Recognition<sup>13</sup>, which is the highest honor awarded to scientists and artists in Egypt.

### **III. The National Charter and Socialist Transformation**

Before proceeding to discuss “The 15 Years,” let us briefly examine the political situation during the early 1960s in Egypt that resulted from Arab Socialism and the Socialist Transformation. The Charter of 1962 revealed the outlines of the Arab Socialism. It incorporated different ideologies and strategies, namely the Marxian views, the welfare state, development economics, modernization, and so on. In other words, it was a mixture of socialism, nationalism, and the Arab cause. The Arab conscience is composed of liberty, socialism, and unity. Liberty is the liberty of state and citizenship; socialism is an instrument and objective. The objective is social justice and abundance (or sufficiency). As for genuine liberty, democracy is political liberty and socialism is social liberty. The Charter said that, in a developing country like Egypt, capitalism could not lead to economic development. The socialist solution was the only solution for Egypt given its underdeveloped economic and social systems. Furthermore, Egyptian economic development was guided by mixed components such as management of means of production, central planning, establishment of a public sector, existence of a private sector which did not exploit public interest, and so on.

As mentioned above, “The 15 Years,” was finished but banned from circulation in society. Soon after that, an official report on the First Five-Year Plan was published under the name

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<sup>12</sup> He was nominated as one of the five greatest economist to lead the economist’ conference held in February, 1982 (*Al-Ahram al-Iqtisadi (AI)* [1982,18-22]).

<sup>13</sup> *Al-G(J)aiza al-Dawla al-Taqdiriya (Al-Ahram, October 19, 1982)* The order was given to his family by President Mubarak in February, 1984 (*Akhbar al-Youm, February 26, 1984*).

of Ali Sabri. The title was “The Years of Socialist Transformation and an Evaluation of the First Plan,” (“The Socialist Transformation” (Sabri [1966(67)]).<sup>14</sup> The First Five-Year Plan (1960/61-1964/65), called for high GDP growth, with an increase of 37.1% in five years (at 1959/60 prices). In fact, the “Socialist Transformation” was sufficient as a public document. The analytical portions were well documented in Chapter 2, which described nine points of difficulty, as follows.

1. Poor cotton harvest in the early years of the Plan.
2. Delays in implementation in some major projects.
3. Disequilibrium between sectors.
4. Lack of achievement of abundance and incompetence of public sector agencies.
5. Exploitation by the private sector (trade and contractors) in development activities.
6. Deficits in the balance of payments.
7. Lack of enjoyment of comparative advantage for some Egyptian commodities such as cement, fertilizer, and so on.
8. Centralism inherited from the previous backward and exploitive system and lack of ability in technical and administrative sectors.
9. Lack of concentration of productive efficiency and lack of attention to improvement of individual productivity.

This analysis was objective. However, the most concentrated part was Chapter 3, titled “The ASU and Its Role in the Achievement of Development Plan.” In Section 1, roles of the political organization in the development stages, and the political, economic and social roles of the ASU were presented. In Section 2, the importance of domestic savings and their mobilization were emphasized. In the next section, the role of the ASU in the improvement of labor productivity was discussed. Finally, socialist construction and the consequences of its failure were analyzed. The report warned that, in the case of failure, Egypt would return to feudalism, exploitive capitalism, slavery to land and machines, and underdevelopment. Thus, the report’s ultimate agenda was to demonstrate ideologies and the strategies to achieve them and it did not seek peer review. In contrast, “The 15 Years” is completely different in the quality of its analyses and the purpose of its study, as described below.

#### **IV. “The 15 Years”**

##### **1. Contents of “The 15 Years”**

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<sup>14</sup> *Sanawat al-Tahawwul al-Ishtiraki wa Taqim al-Khitta al-‘Ula* (Sabri [1966(67)]).

“The 15 Years” deals with the economic history of Egypt. The structure of the book is as follows.

Foreword

Chapter 1: Economic Development in Egypt

1. Stages of Economic Development
2. Preconditions for Development and Obstacles to Takeoff
3. Characteristics of the Egyptian Economy in 1952

Chapter 2: Economic Policies of the Revolution

1. Remedy for Gaps in Distribution of Wealth
2. Governmental Intervention in Economic Life
3. Expansion of the Foundation of the Public Sector and Development of Planning

Chapter 3: Development of Production

1. Development of Agriculture
2. Development of Industry
3. Problems in Industrialization

Chapter 4: Economic Development and Stabilization

1. Development of Money and Credit
2. Development of Balance of Payments
3. Policies related to Money, Credit and the Exchange Rate

Chapter 5: Management Problems in the New Economic System

1. People of the Public Sector
2. Organization and Supervisory Institutions
3. Financial Institutions

Chapter 6: Evaluation of the First Five-Year Plan

In the foreword, the author states that he had two ideas (Al-Gritly [1966 (1974), 7]). The first was to write the economic history of the July Revolution, concentrating purely on economic development since the beginning of the nineteenth century. His view was that the July Revolution was solely the outcome of the development of and the reaction to European colonization policy and the exploitation of a number of farmers and laborers by a small number of landowners, city merchants and businesspeople. The author’s second idea was to write his criticism and apprehensions regarding the different policies implemented by the revolutionary government. In the end, he chose to combine these ideas; this meant that the book was not merely a book on economic history or economic analysis. Overall, the book is

filled with defects from both methods, but despite its defects, he hoped that this book would fill a gap felt by teachers at universities and also would provide an application of theories which students were studying.

The outline of “The 15 Years” is as follows. Chapter 1 deals with the economic development in Egypt before the Revolution, and an attempt is made to apply the theory of takeoff of W. W. Rostow<sup>15</sup>. The author concludes that Rostow’s theory is not applicable to the Egyptian case. In following chapters, economic analysis was carried out from an economic point of view. Finally, the author concludes with an evaluation of the First Five-Year Plan. He states that purpose of the evaluation is not to appraise the performance of the Revolution but to analyze the event in scientific and economic terms to extract lessons for future generations so that they are not paralyzed when the planning agency becomes strong and is given more power in near future.

His works extensively analyze the adaption of socialism in Egyptian society. His targets are varied, ranging from central planning for allocation of resources and for production of goods and services to relations among levels of government (orders and feedback), and incentives for institutions to function (rewards and penalties). He was interested in the experience of the Soviet Union since the Revolution of 1917, especially regarding incentives and the mechanism for profits, private ownerships, and prices in NEP. As socialism consists of social purposes (social justice, equity, abundance), measures, and adaptations to realize the purposes (Hayek [1944]), his studies adequately satisfied the methodology required of academic studies.

From this, it is evident that he intended to describe, analyze, and demonstrate the true picture of socialist policies. Consequently, it is natural to believe that the book was critical of the ruling parties and the government. However, the Charter, in its Chapter 5, criticized the previous regimes prior to the Revolution, stating that they obstructed the freedom of journalists to criticize the government.

## **2. Evaluation of the First Five-Year Plan**

How did Dr. Al-Gritly evaluate Egypt’s experience with socialism in “The 15 Years”? First of all, he provides an immense analysis in Chapter 2, Economic Policies of the Revolution (Al-Gritly [1966 (1974), 35-70]), Chapter 5, Management Problems in the New Economic System (Al-Gritly [1966 (1974), 153-184]), and Chapter 6, Evaluation of the First Five-Year Plan (Al-Gritly [1966 (1974), 187-197]).

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<sup>15</sup> Rostow [1953(1960): 1960]

He understood that the philosophy of the revolutionary government was to increase governmental intervention. However, in addition to that, private investment was weak in infrastructure building, irrigation projects, transportation, silos for agricultural commodities, industry, and finance (Al-Gritly [1966 (1974), 60-61]). At that time, the adoption of socialist policies was a common phenomenon in developing countries. In addition to the management of nationalized companies in a capitalist manner, there was concern over monopolies, and redistribution of wealth was emphasized. On this account, the revolutionary government chose the socialist solution, although it recognized difficulties involved. Actually, capitalism was associated with memories of colonialism, monopoly and exploitation in Egyptian minds.

In Chapter 5 (Management Problems in the New Economic System) of “The 15 Years,” in addition to the macroeconomic and sector analyses in the preceding chapters, Al-Gritly wrote concerning the roles of managers in the public sector, supervisory agencies, and financial institutions. He revealed the difficulties of bankers in lending to public sector institutions, which included the concept of social benefits for public sector, evaluation of financial performance which was affected by governmental intervention in pricing and production, and the international economic circumstances. His analyses are based on conceptual definitions, actual experiences, and vast and deep insights.

Due to space limitations, his thoughts on the ongoing phenomena are briefly discussed. For example, in the supervision of companies, plural and overlapping agents annoyed the managers of companies. In case of the labor problems, the relevant counterparts were ministries, Organizations (*muwassasat*), the Central Accounting Agency, the Central Organization and Management Agency, labor offices, the Security Agency, the committees of the ASU, and other administrative supervisory and prosecution agencies. The number of documents which were required to be delivered to the related institutions was so numerous that managers had difficulty coping and took refuge in peaceful policies toward workers and trade unions. Also, newspapers, supervisory agencies, and the ASU searched for the slightest errors committed by the companies. Consequently, managers were inclined to avoid errors by abstaining from taking the necessary measures for the future. This kind of situation prevented the management from taking management initiatives (Al-Gritly [1966 (1974), 158-159]). He summarized the issues of the managers in the public sector and proposed a loose supervision, as it is human to commit errors in difficult decisions on investment, as long as the companies were achieving profits. Also, he said that there existed a vast distance between words and action (Al-Gritly [1966 (1974), 173]).

Next, let us proceed to his evaluation of the First Plan in “The 15 Years.” In his conclusion, he stated that plan succeeded (Al-Gritly [1966(1974), 187-197]). However, at the same time,

he pointed out the many difficulties which the Egyptian economy had faced. He wrote that it was easy to say that the government succeeded in narrowing the gap between the classes through an increase in governmental intervention and planning but that it was difficult to evaluate the performance of the plan properly because of limited data, dependence on foreign aid, and unequal sacrifices by the people. Although high growth rates were achieved during the plan, he pointed out the increase in consumption, inflation, deterioration in the balance of payments, the problem of debt service, inadequate technology and so on, and he claimed that government information agency exaggerated the performance. As far as foreign aid is concerned, he noted that continued aid from the Eastern and the Western blocs was not assured in the future. Finally, he asserted that the Egyptian people were not making sacrifices. In contrast, private and government consumption increased rapidly, exceeding the estimates in the plan. During next ten years, the government would find it difficult to procure resources for debt service.

## **V. Al-Gritly's Theoretical View on Socialism in "The 25 Years"**

This part presents a summary of Al-Gritly's evaluation of the socialist experiments in Egypt in Chapter 5 of "The 25 Years," namely the evaluation of the performance of the public sector and the Planning Institute.

After the October War in 1974, harsh arguments were heard among scholars and in the mass media on whether the July Revolution had achieved its economic and social purposes. According to Al-Gritly, the disputes were neither profound nor objective (Al-Gritly [1977, 176]). Proponents identified the revolution as the most important event in Egyptian history and a leading event in the Middle East. They praised whatever it achieved.

Critics claimed that the government failed to increase self-sufficiency in agriculture, improve the living standards, or supply necessary goods and services. To this, critics added the government's failures in the management of housing for low-income earners and exaggeration of official statistics on national accounts. They also proposed an increase in private and foreign investment under the framework of the "*Infitah*," or the Open Door Policy. They hoped to return to an economic system in which consumers' autonomy, freedom of production, and private ownership were the main pillars and where price mechanism played an important role.

In contrast, the proponents defended the comprehensive planning, saying that it was the first initiative in an experiment and so was likely to be imperfect, given that resources were depleted in the war against Israel. The population grew rapidly, and private and government

consumption increased at the expense of investment. Despite these hardships, the proponents praised the narrowing of the gap in the distribution of wealth and income through the implementation of the government's plan. In fact, long neglected irrigation projects were established, and flood control was realized. Industrialization was promoted, and new oil wells were discovered. National income grew steadily after a long depression. Unprecedented development continued to enable the provision of education, health and other services.

Al-Gritly claimed that these disputes between proponents and critics were not fruitful, since at that time the ownership and the comprehensive management of industry were nationalized. In short, since this situation was not likely to be reversed, he stated that it was meaningless to compare the public sector and the private sector. Nonetheless, some demanded the expansion of the private sector, which was concentrated in commercial activities and was unable to mobilize savings. Industrialists were few, and trained technical and managerial cadres were concentrated in the public sector. Every sector was located within the framework of the public sector and under comprehensive control of the government, including agriculture finance, trade, and transportation (Al-Gritly [1977, 178-179]).

He wrote that comparing capitalism and socialism is meaningless concerning to ownership when ownership and management of companies were separated in capitalist countries. In Egypt's case, it is preferable to concentrate on improving the performance of the public sector and on giving greater latitude to the management to achieve such improvement. In this regard, the Charter and the October Paper of 1974 did not restraint guaranteeing and encouraging private and foreign investment.

He continued by noting that socialism had ambiguous characteristics and no unique pattern. Socialism was different in each country, as observed in the Soviet Union, Eastern European countries, China, and Cuba. The socialist economic systems differed in the extent of their concentration of economic decision-making power, the extent of the state's ownership of means of production, and the extent of compulsory power of the upper level over investment, consumption and laborers (Al-Gritly [1977, 182-184]).

He thought that dogma ruled in Egypt. At the same time, he maintained that pragmatism prevailed in socialist countries instead of academic disciplines and philosophy (Al-Gritly [1977, 180]). For example, in the Soviet Union in 1922 when the dismal economic situation was aggravated by war, traditional incentive measures which were despised by Karl Marx as a pillar of capitalism were introduced. This radical change provided ample time for planning, and the First 5-Year Plan was launched in 1929. It was wrong, Al-Gritly said, that the socialist system applied the theories of Marx, Friedrich Engels, and their disciples, such as

Vladimir Lenin, Rudolf Hilferding, and Rosa Luxemburg. They did not leave a design for activities that would provide guidance when the dictatorship of the proletariat was achieved. The fate of the economically underdeveloped countries did not enter Marx's mind, and his studies were concerned only with capitalistic industrial countries, especially England and Germany (Al-Gritly [1977, 180]).

On the other hand, in capitalist countries, the share of the government and public sectors in the production of goods and services, and consequently, governmental intervention increased through different measures. Even the most advanced capitalist countries were implementing plans. Thus, the difference between socialist and capitalist countries was growing narrower and narrower. In some socialist countries, private ownership, of the functioning of price mechanism and profits were permitted to varying extents. However, the difference between socialist and capitalist countries never disappeared because of dissimilarities in the role of profits and the role and scope of prices in allocation of consumption goods and production factors.

In Egypt, Al-Gritly described the increase in government intervention in economic activities, namely in consumption, investment, employment and allocation of financial resources, especially foreign currencies. He concluded that managers in the public sector were facing varied types of intervention from the government (Al-Gritly [1977, 186-187]). Since 1963, they had been enjoying a wide scope of freedom in deciding of quantities of production, employment, and exports as well as the prices. However, in 1966, they began to come under the influence of the related ministers. At present, the powers of management and investment have been transferred to the sector councils and specialized agencies such as the Industrialization Agency and the Iron and Steel Complex through the abolition of the Organizations in 1975.

He continued his studies on the path of central planning and its defects as well as on the performance of the public sector, and he attempted to investigate every problem and suspicion. He aimed to distinguish their own errors (errors derived from the implementation) from the errors and difficulties that were generated from decisions and orders from above.

In the central planning, guiding decisions were made at the highest level in relation to general and sector targets for domestic production, private and governmental consumption, and so on. The next level down held the responsibility for implementation of the decisions, and here, linear planning and input-output methods were applied. At the lowest level, or regional level, the decisions were implemented according to the domestic situation and the availability of resources. The difficulty in central planning lies in producing accurate forecasts and estimations of the available resources and the expected demand.

Another difficulty in a command economy is what to employ as an index of performance. In capitalist countries, profitability is the common criterion of success or failure, but in a planned economy, it is impossible to depend on profitability as the costs decided at the administrative level might be higher or lower than the real costs. So, the measurement of performance depends on the priorities of the decision-makers. Al-Gritly alleged that the managers disingenuously lowered the targets so that they were easily achieved (Al-Gritly [1977, 193]).

Despite the ability of the Ministry of Planning, various errors, contradictions, and disputes occurred in the plan. In addition to the fact that the experiment was new, the plan was rushed, causing disturbances in planning and implementation. Al-Gritly pointed out the detrimental effects of the continual reorganization of the planning agencies and their position within the government. In addition, there were political stumbles (Al-Gritly [1977, 196-197]). He asserted that, despite the difficulties, the planning succeeded in the 1960s. However after 1966, the available resources were insufficient to implement the plan and defects in the plan decreased its efficiency. Furthermore, there were errors and negligence in follow-up activities. The obstacles in the way of development included the increase in defense expenditure, increase in private and governmental consumption following a population explosion, and the lack of foreign currencies.

#### **IV. Conclusion**

The author has discussed the socialist experience of Egypt in memory of Dr. Ali Al-Gritly. In the process of surveying his works to write this essay, the author discovered many profound insights in his works and came to better understand the intentions behind his writings. As an economist, he performed his responsibilities to Egyptian society.

According to his writings and statements from his friends, it is apparent that he was a liberal with a deep concern for social issues, such as equity, justice, and improvement of the living standards of the people. He supported economic and social development in a mixed economy with governmental intervention and market mechanism with varied extents depending on the situation of development and equity, on one hand, and material and humane several constraints, on the other hand.

Below are quotes from the conclusion of “The 25 Years (Al-Gritly [1977, 302-311]), which he presented “as a gift to us to assist in the implementation of reforms successfully and continuously.”

(1) Reform should be based on self-help. It is dangerous to depend unthinkingly on foreign

aid and loans, foreign investment, and oil resources because of their inherent uncertainty.

(2) The foundation of reform is sound planning. Targets are to be in the range of possible realization, and reforms should be implemented gradually. It is not reasonable to expect quick results. We cannot rely on modern technologies as magic solutions.

(3) Steps should be taken to decrease the risk of war with Israel.

(4) Reforms should be made to decrease waste. People need to make sacrifices for reforms, and the burden should be equally distributed.

(5) Reforms should not be based on a narrow ideology. The public sector will not thrive eternally even under socialism. While the public sector is important, encouragement of private investment should not be mitigated.

(6) In Egypt, resources are scarce relative to the population. High growth will be feasible only when war and the population explosion stop.

Farid described Dr. Ali Al-Gritly as a humane person and a thinker who was involved in a socialist solution which differed from his own personal view of socialism. He might be called a conscientious socialist. Fahmy suggests that he might be called a democratic socialist. He was not interested in partisanship, and he strove to be an economist who was concerned economic development and equity. It appears that he attempted to completely disassociate himself from any dogma or ideology.

However, when socialist regimes were accused of oppressing liberty in the Soviet Union and also in Egypt, he insisted that similar oppression occurred in capitalist countries in the Latin America, Asia, Europe, and even the United States. He claimed that, in comparison with other countries, oppression in Egypt was slight and that critics exaggerated oppression, only, in Egypt overwhelmingly (Al-Gritly [1977, 299]). He always attempted to distinguish the truth from exaggeration and fabrication. He refused to resort to flattery, and to the end of his life, he endeavored to live ethically.

Finally, he was also interested in Japan's economic development, ethics, and family planning.

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