[**A tale of two Beiruts**](https://www.dawn.com/news/1658954/a-tale-of-two-beiruts)

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The writer completed his doctorate in economics on a Fulbright scholarship.

IT is 1971, the gilded heyday of Beirut. A young Pakistani student is over the moon. He has just arrived in Beirut to attend the prestigious American University of Beirut. Why shouldn’t he be? An education from this university is considered a ticket to a life of fame and fortune. As the young student takes a stroll around Martyrs’ Square, he marvels at a poster for an upcoming concert for Fairuz, the famous Lebanese singer.

Just a short distance from the square, the student admires the cardboard cut-outs of the Lebanese film star Samira Tewfik as they are being put up. Beirut’s Christians, Druze and Muslims harmoniously living and working together offers a wonderful example of successful cultural and economic modernisation, the student realises. Surely, Beirut will give London, Paris and New York a run for their money, he concludes.

And, 50 years later, parliament in Beirut is conducting its proceedings in pitch darkness as power producers have run out of fuel. Long lines in front of soup kitchens that do not have food and hospitals that do not have medicines — not even painkillers — have become the norm in Beirut. Expensive apartment buildings appear haunted as residents have either emigrated or have been forced to vacate. Without electricity, the once bustling squares of the city are now shrouded in darkness as some shadowy figures furtively rummage through the trash for leftovers. How the mighty have fallen!

Before the Lebanese civil war began in 1975, Beirut was famous as the ‘Paris of the Middle East’ owing largely to its literate people and vibrant culture. In the 1960s and the 1970s, an advanced and diversified university system enabled policymakers to bring about sustained improvements in the supply of human capital. This enabled Lebanon to develop a comparative advantage in the services sector, especially in financial intermediation. In the decade before the civil war, the economy expanded at an average of six per cent real growth per year, while inflation remained steady at 5pc. These economic policies created both current account and fiscal surpluses. During these years, tourists who visited Athens after visiting Beirut were struck by how the Greek capital paled in comparison with this shiny city by the sea.

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The unthinkable has come to pass, however. The present economic meltdown is so pernicious that it has been labelled as the worst economic crisis since 1800 by the World Bank. Since 2019, the Lebanese pound has lost 90pc of its value. Some estimates put food inflation as high as 550pc, which has pushed three-quarters of the people of this previously middle-income country into poverty. Power outages last for days, while imported edibles, medicines as well as petrol are now out of the reach of the common people. The economy contracted by about 20pc in 2020 and it is predicted to contract a further 10-15pc in 2021. This is not just an economic crisis; it is a humanitarian catastrophe.

Beirut’s shifting fortunes can be explained through the failure of the Lebanese political system and rampant corruption. Feuding between various political parties that represent different religious denominations and, at times, foreign forces, have brought things to a standstill. Between 2014 and 2018, Lebanon did not even have a president. In September, Lebanon’s political parties finally for­med a government after one year of political deadlock when the European Parliament threatened to sanction political figures involved in destabilisation. Lebanon’s economic insolvency had become apparent a few years ago, yet no concrete steps were taken to forestall the impending economic doom.

Experts believe that these political machinations are driven in large part by turf battles over the control for kickbacks and illicit money. Rania Abouzeid recently pointed out in The New York Times that most government positions are not allocated according to merit. Instead, notes Abouzeid, these jobs are given according to the concept of ‘muhassassa’,meaning that these positions are awarded to people with the right sectarian background. Even the top institutions in Lebanon are not immune from corruption allegations. The governor of Banque du Liban, or the central bank, who is considered largely responsible for bringing about this economic crisis, is under investigation for transferring ‘ill-gotten gains’ out of Lebanon just before the present economic crisis unfurled in 2019. Some also suspect that the country’s judiciary has been compromised given how little progress has taken place in the investigation regarding the horrific blast in 2020 that killed at least 216 people in Beirut.

Surprisingly, Pakistan that lost one of its wings in 1971, has fared better than Lebanon. Compared to Beirut, things seem to be looking up in Karachi — at least for the moment. Pakistan’s politics is pretty fractious, but somehow, political parties have been able to come together multiple times on some matters of national interest. Pakistan also has a merit-based system of selecting federal and provincial bureaucracies that minimises patronage or sectarian-based job allocations. And, despite intense pressure, Pakistan’s economic policymakers have largely been able to maintain a modicum of macroeconomic stability.

All in all, the Lebanese political class remains mired in a relentless pursuit of power and spoils, failing to rise above short-term agendas. The resulting uncertainty and economic policy inertia has ruined a society and an economy that was once seen as a beacon of hope in the Arab and the Islamic world. There are lessons galore in this sad tale, especially against the backdrop of Pakistani policymakers trying to get a handle over immense economic challenges. Perhaps the most important lesson is that political feuding, policy deadlock and corruption bring about an undoing of even the most promising of nations.

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