The Post-Conflict Environment

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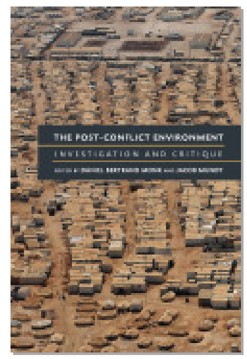

CHAPTER 6

Aid and Redevelopment

International Finance and the Reconstruction of Beirut

War by Other Means?

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ABSTRACT

The purpose of this chapter is to investigate the production of the post-conflict *economy* within the knowledges and practices of the development industry. It examines how international financial institutions (IFIs) render "objective" understandings through which the post-conflict economy can be elaborated. First, this is accomplished by formatting the complex political economy of Lebanon within the domain of normal economic categories. In this fashion, even the war itself—its violence, traumas, and the transformations it wrought—is reduced to a mere "idiosyncratic shock" that may be overcome through the application of conventional development solutions. Second, this is then sustained by the systematic elision of the IFIs themselves—their knowledges and political involvement—from the processes they claim to analyze. Once the economy is constructed as an object in this fashion, the development industry can then set about implementing standardized development projects. One such project, the World Bank's Revenue Enhancement Project, which is investigated here, sought to liberalize Lebanon's property regime in line with contemporary Neoliberal thought. A major effect of these interventions is consolidation of power by wartime politico-economic networks, the existence and operations of which are invisible to the very Neoliberal regime that has made it possible. This becomes visible through examination of the network logic underwriting post-conflict

reconstruction in Beirut, a logic at variance with the imagined economy behind Neoliberal prescriptions.

INTRODUCTION

With the rise of the so-called New Wars at the end of the twentieth century, internal conflicts—their prevention, management, and transition toward peace—have become central concerns of the development industry. By virtue of their size and capacity for the production of knowledge, the World Bank and the International Monetary Fund (IMF) have been successful in setting the international community's agenda for the prevention and management of civil wars and post-conflict recovery; an agenda in which both institutions play increasingly important roles.[1] Rooted in what Duffield calls the Liberal Peace paradigm, the development industry's understanding of internal conflicts, its humanitarian discourses, and its approach to post-conflict reconstruction and development are increasingly circumscribed by the degree to which they promote, consolidate or defend the institutionalization of a neo-liberal world order.[2] Accordingly, the IFIs, once loath to explicitly engage in political engineering, are increasingly willing to do so in support of market liberalization, and they view post-conflict environments as especially amenable to such comprehensive projects.[3]

As the chapters in this volume make clear in relation to questions of trauma, reconciliation processes, and post-conflict nation- and statebuilding, such environments are not simply contexts within which action takes place. Rather, discourses that international institutions and bilateral development agencies deploy in part constitute post-conflict environments themselves. Accordingly, the contributors to this volume, each in his or her own area of expertise, examine the enormous work such institutions put into the very production of the post-conflict environment, and how the particular constructions they produce render some analyses and interventions "reasonable," "realistic," and possible, while excluding others. Nowhere is the construction of this environment clearer than in the domain of post-conflict reconstruction and the economic discourse within which it is embedded.

While the World Bank and the IMF increasingly recognize that each context is shaped by its own political peculiarities, they remain primarily concerned with the liberation of what liberalism nonetheless takes to be an economic realm animated by universal principles, from the contaminants of politics, culture, and violence.[4] This construction of conflict and post-conflict environments as domains that somehow exist outside processes of universal economic development represents the ontological baseline from which debates about post-conflict reconstruction spring. This chapter, then, focuses specifically upon this reification of the economic, and the factors and forces operant in post-conflict Lebanon that this reification hides from view.

Drawing upon World Bank and IMF studies of Lebanon's transition from war to peace and the results of nearly three years of ethnographic and archival fieldwork in Beirut, I trace the constitution of Lebanon's post-conflict economy and the effects of this construction on politico-economic processes and the possibilities of a positive peace.[5] First, I examine the IFIs' standard narrative, presented in virtually every IFI report on post-conflict Lebanon, of the country's pre-war free-market miracle, conflict-induced collapse, and the promise of a post-war Neoliberal renaissance. I focus not upon whether this narrative is more or less accurate, but rather examine how this simple drama in part constitutes, or constructs, the post-conflict environment it claims to diagnose. I suggest that the tale of a once and future free-market Lebanon is not meant to be an accurate description of Lebanese history or a depiction of realistic possibility. Rather, I argue, it serves as a framing device that prepares the reader for the discursive production of the post-conflict environment as a particular kind of object.

I then seek to understand how the International Financial Institutions' Neoliberal discourse transforms a war-torn nation, suffering from multiple violences, traumas, dispossessions, and indignities, into an object of development amenable to dispassionate debate and standardized policy initiatives. The second section explores this question through an examination of one World Bank–sponsored technical assistance project intended to liberalize the Lebanese property regime. How did the discourse of post-conflict reconstruction format the problems the project was meant to solve?

The third section examines the resultant property regime transformation and its effects. Through an examination of the networks of provision that produce upscale urban space, I reveal that which was hidden behind the IFIs' allegedly technocratic depiction of the post-conflict environment. More precisely, I show "the market" to be constituted not of liberalism's rational individuals, but rather of powerful politico-economic networks.[6] These networks, I will argue, working within and alongside the state, were able to successfully turn the marketization processes to their own decidedly illiberal interests. From where did these networks emerge, and how did the IFIs' Neoliberal approach to reconstruction transform their operations?

As will become clear, the neo-liberalization of the property regime failed to produce the promised prosperity. Was the failure to produce a post-conflict renaissance the result, as the IFIs usually claim when their expertise-driven prescriptions produce catastrophe, of imperfect knowledge, faulty implementation, or political interference with what were otherwise sound economic policies? In this final section I show how that which was suppressed in the discursive construction of the post-conflict environment enabled the continued pursuit of civil war, albeit by other means. The weapons deployed in the post-conflict conflict, I will show, included the international financial institutions themselves, and the market discourse they promote.

CONSTITUTING THE POST-CONFLICT ENVIRONMENT

The opening paragraphs of any IMF or World Bank report on post-conflict Lebanon contain, in a clear and condensed form, what has become the standard account of the country's wartime collapse and peacetime efforts toward recovery. The narrative begins with the assertion that pre-war Lebanon was a laissez-faire miracle, marked by openness and minimal regulation. As one of the region's only free-market economies, readers will learn, Lebanon played an important role between East and West, and, by virtue of these policies, rapidly grew into a prosperous regional centre for banking, finance, tourism insurance, and trade.

The account will then introduce the 1975–90 civil war and list its consequences: estimates of the dead and wounded, the damage to infrastructure and industry, the flight of human resources, the decline in investment, and Lebanon's separation from increasingly global flows of labor, goods, information, and capital.[7] Central to the narrative is the deterioration of public finances. The state's inability to collect revenues even as it maintained "a minimum of public services" produced large debt-financed fiscal deficits. The resulting "erosion of private sector confidence," according to the IMF, "led to continuous pressures on the Lebanese pound" and rampant inflation.[8]

This wartime imbalance worsened despite the formal end of the war and the birth of Lebanon's Second Republic under Prime Minister Omar Karami in 1990. The World Bank, echoing the IMF, locates the problem in out-of-control state spending. Lebanon's "large, persistent fiscal deficit," according to the Bank, was exacerbated by the government's December 3, 1991, decision to grant a "large, retroactive civil servant pay increase." This fiscal irresponsibility precipitated a crisis and a "speculative attack on the domestic currency." In defense of the currency, the Central Bank, *Banque du Liban* (BdL), "lost about US$450 million in reserves in two months—January and February 1992."[9] Poor economic policy had, it seems, sent the economy into a tailspin.

But then, suddenly and quite unexpectedly, "Confidence was restored." According to both IFIs, the first post-war parliamentary elections and the installation of a new government, in October 1992, ended the economic crisis "virtually overnight."[10] According to the World Bank, this surge in "confidence" triggered conversion of dollar deposits to lira and a capital inflow so massive that the BdL was able to increase its US dollar reserves by one billion dollars in the month of November *alone*.[11] Yet, despite this reversal of fortune, the IFIs warned, the Lebanese economy remained on a precipice. "Given the speculative nature of these inflows," the Bank cautions, "the current stability is vulnerable to changes in expectations, and will not be lasting until fundamental macroeconomic imbalances, in particular the fiscal deficit, are corrected."[12] Significant economic reforms—rigorous expenditure controls, revenue enhancement, and the privatization of reconstruction itself—would be necessary to ensure sustainable post-conflict recovery.

One could question the accuracy of this narrative. Indeed, the celebratory depiction of Lebanon's pre-war laissez-faire miracle was long ago discredited. More recently, Gaspard, for example, shows that laissez-faire Lebanon performed far less admirably than the IFIs suggest. When compared with other less developed countries at the time, Lebanon's GDP growth reflected "quite an average performance."[13] True, per capita income was higher—due to Lebanon's position in the regional colonial architecture—but it was highly concentrated in a small group of elite families surrounding an even smaller financial-mercantile oligarchy. Per capita GNP growth was, moreover, lower than all but one of the region's non–oil producing countries. Indeed, since independence in 1948, some 50 percent of the population consistently lived in poverty.[14] Indeed, in contrast to what the IFIs claim, it was precisely this imbalance that led to the civil war in the first place.[15]

The World Bank's conclusions diverge not only from scholarly studies, however. They diverge from those of other institutional studies available at the time. A 1991 Lebanese Central Bank report, for instance, found not a *Livre Libanaise* (LL or Lebanese Pound) in decline as the IFIs claim. Rather, it found a 19 percent increase in its value since the war's end, clearly indicative, in the world of development economics, of improvement.[16] More surprisingly, the Bank's own figures confirm this trend, showing an appreciation from 1,080 to the US dollar in September 1990 to 830 on the eve of the BdL's sudden decision to let the pound float in February 1992.[17]

The point, however, is not simply to question statistical evidence or the ideological nature of the conclusions based upon it. Rather, the point is to foreground how this simple drama of pre-war free-market prosperity, war-induced dislocation, and the promise of Neoliberal recovery formats the further construction of the post-conflict environment to follow. Escobar,[18] Ferguson,[19] and Mitchell[20] have shown how development economics conceptually produces the "less developed country" as a discretely bounded entity, the internal political and economic components of which can be subjected to techno-managerial interventions toward an imagined universal "development." How do the IFIs, through the knowledge they produce, contribute to the production of the very environments under study?

Expert Knowledge from Above and Outside

The simple drama with which IFI reports begin makes an important contribution to the construction of the post-conflict environment as an object amenable to "objective" study. This objectification, of necessity, requires the constitution of the IFIs' own positions as seemingly outside and above post-conflict Lebanon through the systematic removal of the IFIs from the historical and economic analyses they present. Accordingly, the standard narrative neglects the significant role the IMF and World Bank played in producing the economic crisis of 1992.

For example, barely a month after the war's end on October 13, 1990, the IMF argued that the public deficit "is the primary cause of financial instability" and made reconstruction aid contingent upon an austerity program that froze public sector wages and ended subsidies on the basic foodstuffs and fuels upon which the average Lebanese citizen relied.[21] Moreover, the narrative neglects the fact that the first post-conflict government acquiesced to these demands in 1991, and in 1992 imposed regressive consumption taxes, such as the 18 percent tax on fuels, in line with IFI prescriptions. Not surprisingly, then, the link between IFI-imposed structural adjustment and the social instability that it provoked, instability that culminated in popular demonstrations and strikes that brought the first government down and threatened a return to war, is also hidden from view.[22]

The IFIs' role was more significant still. Not only did the Bank discourage donors through public criticism of government efforts. It purposely delayed the convention of a donor conference that might have made aid available. In response to then–prime minister Karami's request of 4.45 billion US dollars at the initial international donor meeting in 1991 the Bank lent only tepid support. It endorsed a mere one-fifth of the amount requested, and much of that had already been pledged.[23] Despite Karami's efforts to meet IFI conditions, the Bank postponed the follow-up meeting throughout 1992. Even after the Central Bank allowed the currency to float (and collapse) in line with IMF demands, and as the average Lebanese was pushed further into poverty, reconstruction aid was withheld.[24]

Clearly, the IFI pressure was central to the 1992 economic crisis and the social unrest that brought down Lebanon's first post-conflict government. Yet of necessity they must absent themselves from the narrative they produce *about* the crisis. To do otherwise, as Mitchell shows, would undermine the imagined exteriority that enables development expertise to present itself as rational and disinterested, generated outside and above the object of study. To do otherwise is to open the door to an investigation of the IFIs themselves and their relations to transnational politics and circuits of power. It is to undermine their claim to objective expertise.[25]

A Coherent Picture

Once the relation of exteriority is achieved, the narrative seeks to re-locate the "dislocated" Lebanon within the universal realm of development economics. This involves mapping the post-conflict environment within a universal framework of the national economies.[26] The post-conflict economy can thereby be analyzed as a discretely bounded object that shares with other like entities the same internal economic organs—individuals, firms, markets, economic sectors, and the administrative institutions and regulations that are said to govern them. It is imagined, too, that the operations of and relations between these internal organs are subject to the same measures of health and ailment—GDP, GNP, inflation rate, budget deficit or surplus, balance of payments—as well. The deployment of standard economic categories and statistical representations, however, does not describe the post-conflict environment. Rather it *constructs* it through the filtration, simplification, and organization of complex, contradictory, and incomplete information into what the World Bank calls "a coherent picture."[27]

This macroeconomic snapshot then lends itself to other normalizing analytical practices that help to re-locate the dislocated economy along an imagined universal trajectory of development. The most important of these is comparison. The IMF, for example, measures the war-induced deviation of "actual real Lebanese GDP" from the "trend real GDP" it assumes would have been attained in the absence of the war.[28] Similar abstractions—estimates of population growth and assumptions of annual GDP growth rates plugged into "the conventional framework of neoclassical growth theory"—are used to estimate the time required for Lebanon to catch up to 1974 income levels and then attain the "steady state" income level Lebanese would have enjoyed in the absence of the war. Such procedures, in which an abstract "normal" state of development is extrapolated from a snapshot of the past by means of idealized assumptions, establishes a baseline measure of deviance to be overcome through market-driven development. Indeed, as the title of the generally positive 1999 IMF report on the Lebanese economy, "Back to the Future: Postwar Reconstruction and Stabilization in Lebanon," suggests, an imaginary past, abstract and imaginary trends, and a-historical analysis form the basis of the Neoliberal promise of prosperity.[29]

Every act of discursive production, of course, suppresses phenomena that may trouble its analysis and conclusions. The IFIs' construction of the Lebanese post-conflict environment, however, goes so far as to suppress the war itself. The dramatic politico-economic transformations born of violent transnational struggle for power and position within new Lebanese, regional, and global order vanish behind the Neoliberal economics' universalizing categories and modes of representation. As such, fifteen years of violence and transformation can be reduced, to use the words of the IMF economists, to a mere "idiosyncratic shock,"[30] a temporary derailment of normal development, or an extended episode of "development in reverse."[31]

Standardized Rationale for Neoliberal Reform: State Spending

The IFIs' "coherent picture" hides the complexity of wartime politics and power, within which the imaginary line separating politics and economics, so central to development economics' analyses, is impossible to locate. Consider the IFIs' central claim: that the major obstacle to Lebanon's economic recovery was the "large and persistent fiscal deficit" produced by wartime spending on public services and subsidies on food and fuel, that was then compounded by post-war profligacy. It is a technical tale of internal economic imbalances (deficit) and predictable results (pressure on the currency and high inflation).

The claim to analytical objectivity is bolstered through comparison, in table form, of Lebanon's budget deficits in 1989 and 1992 with those of Egypt, Jordan, Iran, Morocco, and Tunisia—all of which, in the late 1980s, cut spending as part of their own IFI-forced SAPs. According to the table, Lebanon's budget deficit as a percentage of GDP was higher than that of all save Egypt.[32] Such a comparison, with a series of countries none of which were emerging from a protracted and destructive civil war, only makes sense if the purpose is not to understand the unique experiences and challenges facing Lebanon, but rather to erase them in favor of the standardized and ideological analysis the IFIs produce.

What does this technical tale erase? For starters, that 1989 was one of the most unstable and destructive years of the Lebanese conflict. A 1988 crisis of presidential succession created two rival governments, both of which drew upon government revenue, even as increasing violence closed Lebanon's revenue-generating ports. As a measure of Lebanon's deviance from a fiscal norm, the Bank could not have picked a more abnormal year, even in the context of war. Moreover, the financial crisis of 1989–90, from which the country was only beginning to emerge in 1991 (when the IFIs forced structural adjustment upon Lebanon), can be traced to this moment as well, calling into question the standard narrative of collapse and sudden return of confidence. Indeed, economic instability at war's end was not the result of government spending on food and fuel subsidies, or wage increases to the public sector.

It was precipitated by the fall of the *Kata'ib* Party, the political machine-cum-militia headed by outgoing president Amin Gemayel and the wartime politico-economic network through which it pursued power.[33] The *Kata'ib* was throughout the first decade of the war the most powerful of the self-styled "Christian" militia. Indeed, it provided two of Lebanon's wartime presidents, the brothers Bashir and Amin Gemayel, and developed or captured a series of financial institutions through which to control the banking sector and thereby, the heights of the Lebanese political economy. Centered on *Banque al-Mashreq* and *Credit Libanais*, two of Lebanon's largest banks, and the Intra Investment Company, Lebanon's largest financial institution, the network was estimated to have directly controlled approximately a quarter of all banking activity in Lebanon at the time of its collapse. Through its connections to other banking institutions and a vast loan portfolio within Lebanon and abroad, however, its weight within the Lebanese political economy was far greater. The network's 1988–89 collapse spurred a cascade of bank failures across Lebanon and the closure of their subsidiaries and sister institutions throughout the Middle East, Europe, and the United States.[34] While the true magnitude of the losses will likely never be known, by all indications they were enormous. *Banque al-Mashreq*, alone, suffered losses in excess of 300 million dollars.[35] In addition to covering deposits the Central Bank provided liquidity to the commercial banking sector in 1989, 1990, and 1991 to stave off further failures.

One such effort was a program through which the BdL purchased real estate the banks collected from defaulting borrowers. While the BdL bought the properties in dollars, the commercial banks were allowed to repurchase the assets in depreciating Lebanese currency. Sale to the BdL relieved the banks of troubled assets and secured their balance sheets in dollars. More important, the differential in the price paid by the BdL for the distressed loans and the price at which the Banks bought them back in Lira constituted a subsidy reaching as high as 70 to 80 percent.[36]

According to officials familiar with the program, given the windfall to the banks, the bailout rapidly became a business. Banks extended loans guaranteed by overvalued real estate to connected clients, who then promptly defaulted—sometimes within as little as a week. The bank then promptly turned the troubled asset over to the Central Bank for dollars. While the true scale of the bailout will probably never be known, an IMF report, based upon the 1990 Article IV consultations, estimated Central Bank credit to the commercial banks at approximately 213,235,000 US dollars for the first nine months of 1990 alone.[37] According to BdL officials, estimates of the value of real estate held by the Central Bank at the program's end—that is, troubled assets *not* repurchased by the commercial banks—ranged from the highly unlikely figure of "just a few million" to "nearly a billion dollars."[38] These figures seem to give credence to a report in the daily *al-Nahar* that it was such efforts to bail out the wealthiest Lebanese and their banks that led to the 500 million dollar decline in foreign currency reserves during the same period.[39]

It was this diversion of government resources to bail out the banking sector, not subsidies for basic foods and fuels for the increasingly impoverished Lebanese people, that deprived the government of much-needed resources for reconstruction. The massive bailout and further subsidies to the financial oligarchy and militia-related financiers remain unexplored within analyses that hide these politico-economic processes behind a technical tale of simple fiscal imbalance. It is the erasure of these dynamics that enables the *re*-location of the post-conflict environment within the realm of normal economics and universal development, and so converts a public bailout of the wealthiest Lebanese into a mere "idiosyncratic shock" to be overcome by standardized and normalizing development interventions that crushed the average citizen.

STANDARDIZED INTERVENTION: NEOLIBERALIZING THE PROPERTY REGIME

On June 10, 1994, the World Bank president submitted a loan proposal for 19.4 million of a 23.6 million dollar "Revenue Enhancement and Fiscal Management Technical Assistance Project" to the Bank's Board of Directors.[40] The president's supporting memo, of course, begins with the standard narrative. "Fifteen years of conflict in Lebanon have left the economy devastated," the memo proclaims, prior to the recitation of the war's consequences: damage of 25 billion US dollars, significant population displacement, a brain drain of 200,000 skilled professionals that left public institutions to suffer from outdated policies and procedures, and a lack of qualified staff. While the memo cites low salaries as the main reason why the public sector cannot attract talent, it presents this as an objective feature of the post-conflict environment. It neglects to mention that the public sector wage freeze, as we have already seen, was itself an IFI condition for the aid for which the memorandum now argues.[41]

The following paragraph identifies the "large budget deficit" as the primary obstacle to post-conflict recovery. It asserts the failure of the Karami government's policies prior to 1992 and introduces the successes of "the new Government," that of Saudi-Lebanese billionaire businessman Rafik Hariri, and his Neoliberal economic and reconstruction policies. Nonetheless, the memo warns, the 1993 fiscal deficit, at approximately 10.7 percent of GDP, remains "relatively large." A footnote reminds the Board that "Reliable data on Lebanon's GDP are not yet available," and that the report relies upon "rough estimates."[42]

The memo identifies the absence of adequate "staffing, procedures and systems, equipment, statistical data and policy analysis" at the Ministry of Finance as an obstacle to rapid recovery. These institutional constraints undermine the Ministry's ability to rapidly raise revenue through the customs, the cadastre and land registration administrations, or to manage taxation and public expenditures. Therefore, the Lebanese government was in dire need of the "significant and immediate technical assistance" that only the World Bank and its development-industry partners could offer.[43]

While the memo foregrounds post-war institution building in the name of strengthening government capacities, the "Technical Assistance Project" was, in fact, a standard development-industry intervention, rooted in the then-novel understanding that institutions—regulatory, administrative, and legal—have an important role to play in generating, channelling, and sustaining successful development. The arguments for such efforts, popularized in Hernando de Soto's *The Other Path* (1989) and, later, *The Mystery of Capital* (2000), were incorporated into World Bank thinking on institutions and economic development as early as 1991.[44]

According to de Soto, clear, simple, and formal property rights constitute the "hidden architecture" of successful capitalist economies. It is the absence of this architecture that impedes market-driven prosperity in less developed countries.[45] Therefore, development requires administrative and legal reform to enable the proper circulation of property rights in a market populated by economically rational individuals, firms, and institutions. The clear delineation and inscription of property rights, in the title deed or land registry, for example, constitutes the "visible sign" of material objects that allows property to live a parallel existence within which it might circulate and generate capital.[46] Equally important, such representations must be convertible, simple, and standardized and, thereby, made *legible* to investors, firms, or institutions that may operate in, link to, or regulate the market. It is precisely such representations that the Revenue Enhancement Project promised to create, and so enable Lebanese real estate to "lead an invisible, parallel life" detached from its corporal existence.[47]

The production of standardized property representations, alone, is not sufficient, however. They must be constantly *in motion*. For de Soto and the development industry at large, this means the erasure of non-economic impediments—political or cultural considerations, state regulation, alternate legal forms, or informal rules and procedures, for example—that might obstruct the free circulation of the property right as a purely economic value.[48] In other words, the property regime is to guarantee not simply the commoditization of property, an object to be bought or sold, but rather its transformation into a financial asset for circulation as fictive capital. It is precisely such a property regime that the Revenue Enhancement Program sought to establish.

The attached "Technical Annex" provides more a detailed presentation of the logic behind the Revenue Enhancement Program and its benefits to Lebanon. After rehearsing the standard narrative *yet again,* it links the Project to the Hariri government's larger Neoliberal program, which, the authors assure the Board, properly "envisages that national reconstruction and development should be guided by private sector initiatives, as Lebanon's vigorous and dynamic private sector continues to be the country's main asset." Indeed, Hariri and the Bank agreed that the role of the government, beyond restoration of basic physical and social infrastructure, is primarily to create "an enabling environment for the private sector."[49]

The centerpiece of the Project was the creation of new property representations within a new digitized and automated property registry and cadastre. In contrast to the president's memo, however, improved state capabilities in revenue assessment, collection, and management to meet reconstruction needs are presented as *secondary* to benefits to the "private sector." The Annex stresses the "adverse impact" of the current system "on the private sector's land-related investment for housing and other purposes." Echoing de Soto, the authors argue "private investment depends on a well-functioning land registry and cadastre, including the establishment of a proper land-rights data-base and simplification of the land registration and adjudication system." It concludes: "The cadastre-based information systems are crucial not only for promoting private investment activity and institutional credit, but also for strengthening the collection of property taxes and for reducing related cumbersome procedures" (6).

Project officials stressed the same priorities. While the new technologies would allow more rigorous administrative control the benefits of digitization and automation to the "private sector" were far more important, and would dramatically expand private investment.[50] Indeed, they stressed that the new system adopted global standards that would provide regional and global finance, insurance and real estate industries, and large institutional investors with more accurate market knowledge, and the ability to rapidly access and assess that knowledge for investment purposes. The newly digitized administrative architecture would force Lebanon's economy, once outside the dynamics of universal development, to the regional forefront of universal capitalist globalization.

As already noted, the financial assetization of property requires not simply the ability to buy and sell rights to a specific building, apartment, or shop. It requires that such rights are constantly in motion and so able to generate and maximize rents to finance capital. Hariri's larger Neoliberal program, anchored by the 1992 Law of Owners and Tenants, sought precisely to remove obstacles to the generation of such rents. The law erased, from that year forward, "traditional" understandings of property that, in the minds of framers, retarded the development of the economically rational market upon which post-war recovery depended. First among these was the institution of *Istithmaar. Istithmaar,* a commercial investment contract that essentially divided ownership rights between owner and tenant, was a central means through which small landowners and developers financed the construction of new buildings. The commercial investor (*mustathmir*) pays for the right to occupy and use a premise for a specified period of time, and to transfer that right to another *mustathmir* at a future date. The payment for this temporary sale, known as *Khuluu,* often made in advance of construction, financed the production of much of Beirut's built environment. As an investment, the higher the *khuluu* paid, the lower the monthly rent.

Khuluu also circulated with housing and other commercial forms of tenancy and was transferable by tenants to their heirs. As a figure that rises and falls with the value of the premises, the payment often represented a sizeable investment on the part of tenants, an investment from which they might profit upon vacating a premise. More important to small family businesses, the *khuluu* was a value against which shop owners could borrow to finance their own operations.

Development industry understood *khuluu* simply as "an unearned rent" that, in accruing to the tenant, prohibited rational operation of the real estate and rental markets.[51] Drawing on this argument, landlords and property developers argued that, like *Istethmaar*, it was an obstacle to reconstruction and market development. The 1992 law did away with *istethmaar* and *khuluu* on all contracts signed after 1992. Moreover, it removed other tenant protections in the name of circulation, as well. The new law specified maximum lease duration of three years, eased restrictions on eviction, and abolished rent controls on any contract signed after 1992.

The 1992 reforms sought to erase legal pluralism and local property arrangements in favor of an abstract, purified, conception of property rights and ownership, and to remove regulatory impediments to the private sector's exercise of economic rationality. The World Bank Project sought to represent space with digital precision and speed, and thereby accelerate the global circulation of these new abstractions, free from the vagaries of human error or corruption. How did this purification of the economic play into the post-conflict environment? How did what was hidden by the IFIs' construction interact with and transform it, and to what effect? The next section answers these questions through an examination of the Beirut City Center, the first area to be re-inscribed by the new property regime.

NEOLIBERAL RECONSTRUCTION: A LANDSCAPE OF COMPETITION?

Solidere, the 1.6 billion dollar real estate holding company charged with planning and profiting from the reconstruction of the Beirut Central District (BCD), was the flagship of Lebanon's promised neo-liberal renaissance. In line with World Bank and IMF arguments, backers claimed that only privatization of reconstruction would ensure global-standard planning and financial management. Moreover, with the newly liberalized property regime in place, private sector initiative—the hidden hand "isolated from politics"[52]—guaranteed Lebanon's rapid reintegration with universal processes of capitalist globalization and development.

If *Solidere* was the flagship of Neoliberal reconstruction, the new Beirut Souks project, located at the heart of the new city center, was *Solidere*'s flagship development.[53] Boasting more than 163,000 square meters of retail space and covering an entire urban quarter, *Solidere* presents this heritage-themed shopper-tainment district as the embodiment of globalization's promise. Competition with other developments in Beirut, across Lebanon, and throughout the Middle East required that the new Souks be built to the "highest international standards." Accordingly designers accommodated the spatial needs not of the thousands of small-scale Lebanese merchants that animated the pre-war city center, but those of Western multinational brands, the "retail professionals."[54]

The plan combines five programmatic elements within a framework following the classic North American "dumbbell" mall, which locates large "anchor" tenants, such as department stores and cinemas, at the four corners of a rectangular interior space that contains medium-sized and small shops. The *Solidere* plan called for a major department store, such as Saks Fifth Avenue, to be the northwest anchor. The northeast would house a multi-screen Cineplex, and the southwest an inner city supermarket. The southeastern anchor was a new jewellery market, meant to recall the famous *Suq al-Sagha,* once located on Martyrs Square. The fifth element, the "core," organized along the historic, pre-war grid of north-south streets and east-west passageways, contained medium-sized "semi-anchor" spaces to accommodate the US-based Gap or the Spanish ZARA, and large tertiary spaces to attract name-brand stores such as Timberland, Guess, and Calvin Klein. By virtue of strict adherence to such international standards, *Solidere* officials argue, there would be no doubt that "the internationals" would come to the new Souks, and the company and its investors would reap handsome rental streams.[55]

Yet even as planning for the new Souks neared completion in late 1995, it was becoming clear that the market reforms, insisted upon by the IFIs, adopted by the Karami government, and rigorously pursued by Hariri since 1992, were not delivering the promised economic renaissance. While the reconstruction of the city center was privatized under *Solidere*, and the property regime liberalized, the Hariri government embarked upon an ambitious program of public investment. Entitled *Horizon 2000*, the national reconstruction plan tapped the private sector to develop infrastructure schemes through "public-private partnerships." The bulk of the plan, front-loaded both chronologically and financially, was financed through loans from, and the sale of high-interest treasury bills to, local commercial banks.[56]

This restoration of the class power of the financial oligarchy (interest rates on the treasury bills reached 45 percent, even as taxes on bank profits were drastically reduced as part of structural adjustment) imposed severe costs on the average Lebanese. As unemployment pushed 20 percent,[57] a department of statistics survey, published in 1996, found that more than a third of the population lived in poverty, defined as a family of 5.6 persons earning less than 630 dollars per month, while a full 60 percent were living on less than 800 dollars per month, the minimum required to cover basic needs. In contrast, only 7 percent of the population earned more than $2,000 per month.[58]

Nor did Beirut's return to its imagined pre-war status as a center of finance, services, and international trade seem any more likely. Other transit centers, such as Dubai, eclipsed the once-thriving Beirut port. Despite the massive subsidies to the financial sector—Lebanon's public debt to the commercial banks reached some 17 billion dollars by 1998[59]—technological changes in communication and information management reduced the need for regional financial centers, as well. As one *Solidere* planner put it, the idea that Lebanon could regain its imagined past was, by 1998, "a lot of crap." He explained sardonically, "The financial capital of the Middle East is not *in* the Middle East, unfortunately. It's in London."[60]

Instead, structural adjustment and liberalization of the property regime, combined with the government-funded expansion of banking sector liquidity, produced an explosion in speculative real estate development. By some estimates real estate accounted for 80 percent of all investment between 1991 and 1996, while job-producing sectors such as agriculture or industry withered with neglect.[61] As property investment grew from two billion dollars in 1993 to three billion in 1995, luxury apartments, hotels, and shopping malls led the way.[62] New commercial centers in Beirut's Verdun neighborhood, for example, combined retail malls, luxury apartments, and large office spaces, and a number of new purpose-built shopping malls, such as the ABC Mall in *Achrafiyya*, entered the development pipeline.

It could be argued that, even if Lebanon could not become a regional financial center, the production of Beirut's new elite urban geography, at least, *was* the result of the market-driven competition between economically rational individuals and firms that the new property regime made possible. Are not shopping malls, after all, the paradigmatic urban form of capitalist globalization? Investigation of the rise of *Verdun*, *Solidere*'s major local competitor, suggests that very different processes, invisible to the IFIs' Neoliberal imaginary, are at work. Rather than producing a market within which urban property circulates as a financial asset, or, for that matter, a commodity, I suggest that the pursuit of free-market reconstruction enabled the continuation of war by other means.

Verdun

Verdun arose not with Neoliberal reconstruction, but with those politico-economic dynamics of the civil war, which, like the wartime collapse of the *Kata'ib* financial network in 1989–90, were rendered invisible within the IFIs' construction of Lebanon's post-conflict environment. Protection by a Lebanese Army barracks and by the presence of UN offices and several foreign embassies, including that of the Soviet Union, ensured that no militia could control this upscale district.[63] Indeed, *Verdun*'s upper-class population not only remained intact throughout the Lebanese conflict but grew with property investment by militia-related financial networks.

With the war's end, investment in the area exploded and Verdun rapidly became an enclave for wealthy Beirutis and Gulf tourists alike. By the mid-1990s, it boasted a number of shopping malls, such as the Plaza I and Plaza II, the Dunes Center, and Verdun 730 and 732, each of which features an array of Western brand names, from Armani to Valentino, as well as international fast food such as Starbucks, McDonald's, and Mrs. Fields Cookies.

For supporters of the Neoliberal project, the apparent dynamism of Verdun demonstrates the vitality that only private sector competition can produce. Indeed, according to *Solidere* planners, the Verdun retail offer is the competition against which they evaluate all dimensions of their own retail strategy, from brand tenanting to price structure.[64] But this discourse of market competition between private actors once again hides more than it reveals. Verdun's dynamism has little to do with market mechanisms of neoliberal economic theory and everything to do with the geographic solidification of wartime power relations through cooperation and competition between networks of capitalists, which, like the wartime *Kata'ib* financial network, worked within and alongside militia and state structures in pursuit of politico-economic power.

Wartime Verdun

The wartime destruction of the City Center forced a decentralization of retail throughout Beirut, and, more importantly, gave rise to a new set of retailers.[65] These new capitalists, many from humble origins, eased into the import and retail businesses through militia connections and the multiplication of militia-run ports. Perhaps the largest of these retailers was a company called Via Spiga, run by two East Beirut brothers. Allegedly through contacts with the right-wing Lebanese Forces (LF) militia, Via Spiga began to register exclusive agency agreements with a number of Western brand names, and to import goods through LF-held ports. In West Beirut another company, Maxima, was also on the rise. The owners, close to the Amal militia, began with the representation of Max Mara and Marella. In the 1980s, Maxima opened its first Benetton, the business practices and expansion of which are considered emblematic of capitalist globalization.[66]

While politically connected fashion upstarts coalesced into business groups, other militia-related capitalists invested in property. These new investor-contractors used political and financial connections to fill the vacuum left by the large, oligarch-connected contractors that left war-torn Lebanon for the oil-rich Gulf states. Through relationships with politicomilitary forces that one such investor/contractor called "incestuous," these new capitalists were able to "virtually monopolize" the production of Beirut's safe, elite enclaves.[67]

In *Verdun*, the most important of these were either members of or linked to the Amal militia and associated diamond dealers based in Congo, Liberia, and Sierra Leone, such as Jamil Said Mohammed, and bankers such as the now-infamous Ahmad Chalabi, who, prior to working within and alongside the US for the fall of Saddam Hussein, operated the Middle East Banking Company in Beirut, itself a subsidiary of the Jordanian-based Petra Bank. Together, these politically connected capitalists laid the basis for post-war control of this high-rent neighborhood. The operations of Ali Ahmad Group is paradigmatic. Involved in the African diamond trade through Triple-A Diamonds, an Antwerp-registered company, the Group began to purchase Verdun property, including that underneath today's Verdun 730 mall, during the war.[68] With the same goal in mind, these networks invested in *Ramlat al-Bayda'*, amongst the most expensive real estate in Lebanon, and *Ayn al-Tine*, where the post-war Speaker of Parliament, Amal militia leader Nabih Berri, would construct a new official Speaker's residence for himself. By 1994, the price of land in *Ramlat al-Bayda'* had increased to 5,000 dollars per square meter. By 1995, *Verdun* shop space ranged from 8,000 to 14,000 dollars. However, neither the rapid development of this neighborhood nor the increase in land values was the product of private-sector actors making economically rational choices.

Could it not, however, still be argued that, even if investment followed such a network logic, decisions to purchase or rent retail space in Verdun *were* driven by the market rationality the new property regime sought to liberate? An examination of the relations between the firms that produce and populate retail spaces in Verdun suggests otherwise. For example, three interlinked companies purchased the Concord Plaza, the first modern shopping mall to open in post-conflict Verdun. Amal Militia associates with interests in Africa formed United Brothers Holding (UBH), in 1991. UBH partnered with an owner of Maxima Fashion, mentioned earlier, to start Food, Entertainment and Business SAL, which became part owner of the cinemas that anchor the Concord Plaza.[69] These businessmen were also part owners of the department store anchor and, through a company called *International Cafes SAL*, opened Lebanon's first Hard Rock Café, located within the mall. Through yet another company, *Zed Co.*, again, they hold Lebanon's first ZARA franchise, the main semi-anchor in the Concord Plaza.

This vertical integration of the retail venue, from ownership of land to construction of the mall extending to the shops and exclusive agency rights to market the brands they contain, is not unique to the Concord. The Ali Ahmad Group's Verdun 730, which opened in 1996 in a ceremony headlined by Amal MP Mohammad Beydoun, reflects this logic, too.[70] Land assembly began during the war and ended in 1993. Ahmad Ali Ahmad's son, Ali Ali Ahmad, and his contracting company, Triple-A Team, financed the project from their own wealth and allegedly through militia contacts in the banking sector. Major tenants include Max Mara and Marella, both of which were, at the time, owned by Maxima Fashion, of which the Ali Ahmad group owned 40 percent. According to Real Estate Directorate registries, of 730's sixty-eight sections of retail, luxury apartments, and offices, at least seventeen remained registered in the name of the Ali Ahmads or their companies at the end of the 1990s. The majority serve as collateral for loans ranging from 900,000 to 4,000,000 dollars from some of Beirut's largest banks. These funds, according to knowledgeable real estate professionals, then financed other speculative real estate investments in and around Beirut, including Verdun 732.[71]

The vertical integration of the companies that produce and derive rents from this new landscape of consumption confirms the networked nature of property development in post-conflict Lebanon. The inseparability of political and economic dimensions further distances this process from the development industry's Neoliberal imaginary, which cannot recognize the "incestuous" blurring of boundaries except as corruption. Ironically, it is the very process of neo-liberalization of the post-conflict environment that has enabled such illiberal networks to consolidate their power over the production of space in Beirut and elsewhere in Lebanon. More important, however, for the possible consolidation of a positive peace, is the fact that it has also enabled them to hide that power through technocratic analyses in which they appear only as normalized members of "the private sector."

Inqilaab al-Hariri

The free-market ideology of Neoliberalism, anchored in an imaginary "economic sphere," is always able to externalize the reasons for Neoliberalism's failure. Political interference, imperfect implementation, or even vaguely specified notions of culture are deployed to explain the failure of otherwise sound, universal economic policy. Could the failures not be eradicated in the future through more precise World Bank and IMF studies and more perfect implementation of more perfect technical, institutional, and legal reforms?

Such a defense only makes sense within the discourse that elides the role of the international financial institutions within the post-conflict environment itself. As shown above, however, they actually played a central role in provoking the economic crisis of 1991–92. Yet uncovering this role is not enough. Doing so would simply cover over a deeper involvement—the IFIs' reliance upon *illiberal* politico-economic networks' forces to impose *liberalization* in the first place.[72]

It is this willingness to work through illiberal forces that explains one of the central mysteries of Lebanon's post-conflict reconstruction: What prompted the unexpected and rapid reversal of economic fortunes that took place in 1992? Was it, as the standard narrative asserts, the "confidence" inspired by post-war elections and the appointment of a new prime minister that "virtually overnight"[73] ended the 1992 economic crisis and sparked a rapid appreciation of the Lira and the Central Bank's miraculous recovery of nearly a billion dollars of foreign exchange reserves in one short month?

The authors of the standard narrative do not tell us how parliamentary elections or the installation of a new prime minister restored "confidence." What is clear, however, is that the assertion is most certainly wrong. Indeed, not only were the elections neither free nor democratic,[74] in fact, the majority of Lebanese opposed holding them. A survey conducted in the summer of 1992 by the London-based newspaper *al-Wasat* found that more than 60 percent opposed holding parliamentary elections in the midst of the 1992 economic crisis, and at a time when large portions of Lebanese territory remained under Syrian and Israeli control.[75]

Many amongst the political class and the religious leaderships, too, resisted. Saeb Salam, veteran Sunni politician and a former prime minister, called for postponement of elections in mid-August. His son Tammam, also a seasoned politician, refused to participate. Their opposition followed that of another prominent Sunni, former prime minister Dr. Selim al-Hoss, who argued that holding elections in the midst of the economic crisis was a reversal of priorities. Druze leader Walid Jumblatt concurred. Sheikh Mohammad Mahdi Shamseddine and Sheikh Bahjat Ghayth, important spiritual leaders of the Shiite and Druze communities, respectively, publicly opposed the holding of elections in 1992. So, too, did the Maronite patriarch Nasrallah Boutros Sfeir.[76]

While al-Hoss and others, under heavy Syrian and Saudi pressure, eventually participated, a near complete boycott of the polls obtained in Christian areas of the country. Even in predominantly Sunni West Beirut, no more than 20 percent of the population cast ballots. Prime Minister al-Solh, whose caretaker government organized the elections, won his parliamentary seat on the basis of a mere eleven thousand votes.[77] If un-popular and anti-democratic elections did not restore confidence, as the standard narrative insists, what did?

These questions remain unanswerable without the introduction of the IFIs, themselves, and their deep engagement with power politics, into the standard narrative's technocratic presentation. "Confidence" then refers to the transformation of the political into an economic power. "Confidence was restored" not by the appointment of *a* new prime minister, but rather of a particular prime minister, Rafik Hariri, a Saudi-Lebanese billionaire banker with close ties with the Saudi royal family, who spoke the market-friendly language the IFIs and Washington wanted to hear.

As the wartime Saudi emissary to Lebanon, Hariri became skilled at the Lebanese game of oligarchic power, rooted in the decidedly illiberal fusion of political and economic might at the commanding heights of Lebanon's political economy, the financial sector.[78] Beginning with his 1980 purchase of the Mediterranean Bank, by war's end Hariri commanded the second largest bank group in Lebanon (second only to that of the *Kata'eb*) through which he channelled substantial amounts of his own, and Saudi, money, into the Lebanese political economy. More importantly, through the expansion of his Mediterranean Group and investments in their businesses and banks both in Lebanon and abroad he solidified ties with the pre-war financial oligarchy, wartime militia leaders, and those of the Syrian government that came to control Lebanon at the war's end.[79]

With the collapse of the *Kata'eb* financial network in 1988–89, Hariri's own politico-economic network was clearly dominant. Indeed, just after the 1989 Ta'if negotiations, his network, with allied pre-war oligarchs, took effective control of the institutional expression of oligarchic power, the Lebanese Banks Association.[80] Shortly thereafter, he gained control of the Central Bank as well, first through his support of Michel el-Khoury for Central Bank Governor in 1990 and then through the appointment of Riyadh Salameh, Hariri's personal portfolio manager at Merrill Lynch, to that powerful position in 1993.

Although the truth will likely never be known, it is widely believed in Beirut that Hariri and his allies in Lebanese and regional financial and political circles, in fact, orchestrated the collapse and sudden recovery of the lira, in what Lebanese call the Hariri Coup (*Inqilaab al-Hariri*), to bring the Karami government down.[81] Partisans argue that Hariri and his allies certainly had the financial muscle to precipitate and reverse the lira's free fall "virtually overnight." And such coordination with Hariri ally and Central Bank president Michel el-Khoury would explain the latter's surprise devaluation of the Lebanese currency despite steady improvement.[82]

That the standard narrative plays down this possibility and seeks to hide the unprecedented events that brought Hariri to power, however, is not surprising. Rhetoric to the contrary aside, the World Bank views the post-conflict environment as an important "window of opportunity" through which to impose liberal reforms.[83] As Klein shows, this view resonates with that of Milton Friedman, who regarded moments of societal trauma as ideal for imposing an otherwise politically impossible agenda.[84] Such an offensive requires a powerful local force, even if authoritarian, to neutralize opposition and legitimize Neoliberal policies. The Hariri network, with its Saudi and US backing, certainly constitutes such a force.

Although no Pinochet, Hariri certainly deterred democratization of the post-conflict environment and reinforced the consolidation of an illiberal sectarian political system. Along with wartime militia leaders Hariri consolidated the so-called troika system, which vested politico-economic power in the offices of first, the Sunni prime minister, then the Maronite president, and finally, the Shiite Speaker of the House. Though competition between these officeholders and their politico-economic networks often results in gridlock, they cooperate in deterring democratic opposition. A case in point is the troika's passage of a clause in the 1994 law that cut the number of television stations from sixty to four, with each of the surviving franchises owned by members of the regime.[85]

The troika also cooperated to dis-empower the General Confederation of Labor (CTGL), the only non-sectarian civil society institution to survive the war. After efforts to control and silence the CTGL through the manipulation of union elections failed in 1993, Hariri called out the army to enforce a ban on labor demonstrations in 1995, 1996, and 1997. Then, in conjunction with other sectarian leaders the troika created rival labor unions, headed by pliant clients, to divide the confederation and effectively bring labor under regime control.[86]

Hariri further weakened the state, as well. His clientelist networks colonized existing institutions or created new ones to facilitate politico-economic control. In other instances shadow administrations responsible directly to him operated within key line ministries and key administrative departments. As already noted Hariri's personal portfolio manager became Central Bank Governor. The head of Hariri's construction company Oger-Liban presided over the enormously powerful Council for Development and Reconstruction (CDR), and Hariri's former lawyer became the minister of justice. The prime minister and his allies created the Central Fund for the Displaced to control reconstruction funds budgeted for the Ministry of Displaced. The Investment Development Authority, like the CDR, answered directly to the PM's office and channeled foreign direct investment to preferred projects.[87] Finally, after the former chairman of his Mediterranean Group became finance minister, they created a shadow administration within the Ministry to devise and implement—in cooperation with the IFIs—the liberalization of the property regime.[88]

THE SPATIALIZATION OF POWER: THE ILLIBERAL RECONSTRUCTION

It is precisely the operations of such politico-economic networks that transcend and rely upon the supposed boundaries between state and economy that the IFIs' "comprehensive picture" of the post-conflict environment renders invisible. What then of the reconstruction of the city center by *Solidere*, the flagship of Lebanon's Neoliberal rebirth? Was it able to escape the pull of these networks and link itself to universal processes of capitalist rationality and globalization?

A survey of the tenants in the new Beirut Souks, the flagship of the flagship, suggests the answer is no. Of the 125 shops that open by 2010, and for which ownership could be identified, 49 are owned by large Lebanese or regional business groups with extensive holdings in the city center. The Chalhoub Group owns 6, and its Saks Fifth Avenue franchise is slated to become the department store anchor. The Retail Group, a new and rapidly expanding company, accounts for 9 more. The Tony Salameh Group owns 11 shops in the new Beirut Souks, which complement several other Salameh-owned luxury boutiques in the Foch-Allenby district just east of the mall. The Azadea Group, the latest and largest incarnation of the Amal-related Maxima Fashion Group, owns 15 shops in the Souks alone.[89]

Clearly *Solidere*'s city building is just as much a network affair as that which produced *Verdun*. A Maxima Fashion Group official confirmed that Maxima/Azadea shops were guaranteed prominent positions within the new Souks by virtue of "a gentleman's agreement" with *Solidere* officials.[90] In moments of candor, *Solidere* officials, themselves, acknowledge this reality. Coordination with "the competition," according to one, both "directly and indirectly," was meant to ensure a complementary, rather than competitive, retail offer.[91]

It could be argued that the presence of such networks is not indicative of the failure of the Neoliberal imaginary but simply the result of politics intruding upon and undermining Hariri's effort toward market-driven integration with capitalist globalization. But Hariri's own networks were leaders in the game. Indeed, a company called the Hamra Shopping and Trading Company, with close ties to Hariri and his minister of justice, not only owns three shops in the new Beirut Souks itself. *Solidere* sold HSTC's owners a large property adjacent to its flagship development, upon which to build their own mall, to house exclusively HSTC-owned brands.[92] Despite *Solidere*'s self-representation as the embodiment of the most sophisticated practices of capitalist economic rationality and despite its claim to be the flagship of market-driven reconstruction, development of the city center remains a highly politicized network affair.

CONCLUSION

The pursuit of power and position by such politico-economic networks, networks that operate through and alongside families, militia organizations, business groups, and government offices, confounds the Neoliberal imaginary. It is not simply a matter of replacing the rational individual of classical economics with a more social conception of the network. As Mitchell points out, this would simply avoid a deeper question: How is it that the demarcation line between the political and economic, impossible to locate within these networks of individuals, families, companies, and political offices, comes to anchor the commonsense ontology of liberal economics?[93]

For Mitchell, it is economic knowledge production and the practices of governance derived from them that makes this separation between the economic and political seem to be real. Without that boundary, which posits an economic sphere marked by its own universal rationality that pre-exists culture or politics, the scientific justifications for market society, to say nothing of class privileges within that society, evaporate to reveal a world of political power and predation, the normative defence of which becomes difficult to sustain.

The ontological separation is key to the externalization of liberalism's repeated failures to live up to the promises it makes. In the case of Lebanon, the International Financial Institutions' construction of a post-conflict environment, while creating a coherent picture intelligible only from within the discourse and denying its own participation within the tale it narrates, cannot but set the stage for the failure of Neoliberal reconstruction, and a redoubling of development-industry efforts to format the complex Lebanese political economy into Neoliberal terms. As Ferguson argues, however, failure does not mean that the interventions are without powerful effects. These "instrument effects" are the unintended outcomes that arise from the elisions required by development discourse to make itself whole, and from the ability of powerful forces to work in and through the discourse in pursuit of their own interests.[94]

Three such instrument effects can be identified in the case of Lebanon. First, recall that the analytical construction of the post-conflict environment required the simultaneous presence and absence of politics and violence. The war is represented as the all-important cause of economic collapse, yet at the same time, the particular politico-economic dynamics of the war are hidden within an analytical black box. The war is depoliticized and reduced to an "idiosyncratic shock." The wartime politico-economic processes are hidden. The transnational networks that animated them, in this rarefied discourse, then remain invisible, even as they arise to capture the commanding heights of the newly Neoliberalized post-conflict political economy.

Second, this domestication of politico-economic processes has the further important effect of enabling these illiberal networks to hide their power in and over the state apparatus and economic processes. It enables them to colonize, contour, or bypass the state, and so turn its administration and economic reforms to their own purposes, first of which is the consolidation of their power. This weakening of the state further restricts access to economic opportunity, as would-be entrepreneurs find themselves caught up in network rivalries or blocked by formal and informal monopolies. Moreover this network power combines with progressive impoverishment of the populace to produce increasing political and economic dependence of the latter upon the former. Indeed, today, sectarian clientelist networks take on the form of civil society NGOs, as elite-funded social welfare/patronage systems or family organizations such as the now famous Hariri Foundation, and political parties such as Hizballah increasingly provide social welfare services and access to education and economic opportunity.[95]

Together these combine to produce a third effect of Neoliberalism's failed promise: the consolidation of wartime social divisions and the deterrence of democracy. In the case of Lebanon, this manifested in the solidification of a sectarian troika that governed throughout the 1990s, that cooperated to expand and protect the network activities of which they were a part, but also to suppress or tame political forces, such as those of the non-sectarian labor movement, that may have challenged their control.

The geography of elite enclaves and the new shopping malls and luxury apartment towers that anchor them are an inscription of this network power and the instrument effects of Neoliberal reconstruction into the social fabric of the city. Neoliberalism's production of the illiberal city is not the result of cultural or political interference with otherwise universal economic rationality or the universally applicable economic policies meant to liberate such rationality. Nor is Neoliberalism's production of the illiberal city simply the accidental result of the misrepresentations that constituted the Lebanese economy-as-picture. It is the product of the systematic removal of the International Financial Institutions' enforcement of aid conditionality, their use of social trauma as an opportunity to impose painful and politically unpopular policies, and their reliance upon, and promotion of, illiberal forces as the means by which to do so. Despite their claim to a privileged position as detached observers, they were active participants in shaping the post-conflict environment itself. The illiberal city, then, is a product, in concrete and glass, in invisible boundaries of reinforced sect and class, of what was absent from the post-conflict environment they produced.

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33. While scholarship on the Lebanese civil war continues to be understood primarily as a conflict between religious groups over the division of political power, the political economy of the conflict was far more complex. The larger and more powerful of the militias were organized around powerful familial networks that utilized militia, state, and business relations to gain, consolidate, or protect position within the institutional interface between the Lebanese and larger, regional, and global political economies: the financial sector. And so each of the major militias was itself a politico-economic network, the connections of which transcended national borders and any imagined boundary between the political and economic spheres. See Najib Hourani, "Transnational Pathways and Politico-Economic Power: Globalisation and the Lebanese Civil War," in *Geopolitics* (2010).

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42. Ibid., 1.
43. Ibid., 2.
44. See, for example, World Bank, "Urban Policy and Economic Development: An Agenda for the 1990s" (World Bank, Washington, DC, 1991), and World Bank (2002).
45. Hernando De Soto, *The Other Path: The Economic Answer to Terrorism* (New York: Basic Books, 2003). De Soto, *The Mystery of Capital*.
46. Ibid., 47.
47. Ibid., 6.
48. Ibid., 62.
49. World Bank, "Urban Policy," Technical Annex, 3.
50. Interview with B., Project Manager, Beirut.
51. Stephen Malpezzi (1995).
52. Oussama Kabbani, *Postwar Reconstruction of Beirut Central District and the Experience of Solidere* (Venice: The Construction of the Mediterranean City, April 27, 1996).
53. The accurate transliteration, according to the IJMES system, would be *suq*. However, *Solidere*, in its literature, utilizes *souk*. I use *Solidere*'s transliteration when writing about that particular project.
54. Interview with N., *Solidere,* July 1997. Beirut.
55. Ibid.
56. Republic of Lebanon, (Council for Development and Reconstruction, Beirut, 1995).
57. George Corm, "The 'Lebanese Miracle' in Danger: Behind the Façade of Reconstruction," *Le Monde diplomatique* (April 1998), http://mondediplo.com/1998/04/05liban, accessed April 2011.
58. Reinould Leenders, "Lebanon: Disturbing Statistics," *Middle East International*, no. 573 (1998): 8–9.
59. Atef Kubursi, "Reconstructing the Economy of Lebanon," *Arab Studies Quarterly* 21, no. 1 (1999): 69–96.

60. Interview with Oussama Kabbani, *Solidere* Town Planning, June 16, 1998, Beirut.

61. Interview with Charbel Nahhas, Real Estate Consultant, Societe General Banque, August 29, 2000, Beirut.

62. *Al-Iqtisad wal-'Amal,* April 1994: 42–48; *Al-Mal wal-'Alam,* March 1996: 26. These figures underestimate the extent of the post-war real estate explosion, as they are based on the values declared by the parties to the transaction, who undervalue transactions so as to avoid taxes and fees.

63. Op. cit., interview with Charbel Nahhas.

64. *Solidere* officials argue that the willingness of developers to purchase land at 8,000 dollars per square meter in Verdun and the willingness of local retailers to pay up to 14,000 dollars per meter to purchase ground floor space in Verdun 732 confirms the market can sustain the company's prices. If rents are set by the 10 percent rule-of-thumb, then ground floor space in Verdun 732 would be approximately 1,400 dollars per meter, annually—well above the *Solidere* base rents, which, depending on the location, range from 500 to 1,000 dollars per meter.

65. This account is drawn from several interviews with fashion retailers and group executives who shall remain anonymous.

66. Louise Crewe and Michelle Lowe, "United Colours? Globalization and Localization Tendencies in Fashion Retailing," in *Retailing Consumption and Capital: Towards the New Retail Geography*, ed. Niel Wrigley and Michelle Lowe (Essex: Longman Group, 1996).

67. Interview with J., September 6, 2000, Beirut.

68. Interview with K., February 1, 2001. Confirmed by Real Estate records Plot 730 Ras Beirut.

69. The company, *Societe de Exploitation du Cinema et de l'Audiovisuel* SAL, is one of two that monopolize the industry in Lebanon.

70. *Al-Mal wal-Alam*, October 1996.

71. All group companies are held under the Ali Ahmad Group Holding Company. See http://www.aliahmadgroup.com.

72. Klein, *The Shock Doctrine*.

73. World Bank, "Lebanon: Stabilization and Reconstruction," 18.

74. Theodor Hanf, *Coexistence in Wartime Lebanon: Decline of a State and Rise of a Nation* (London: Center for Lebanese Studies and I. B. Tauris, 1993).

75. Cited in Farid Khazen, *Lebanon's First Postwar Parliamentary Election: An Imposed Choice*, Prospects for Lebanon (Oxford: Centre for Lebanese Studies, 1994).

76. Interview with former Prime Minister Dr. Selim al Hoss, Beirut.
For positions of others, see Economist Intelligence Unit, "Lebanon Country Report: First Quarter" (Economist Intelligence Unit, London, 1992), 15.

77. For more on the elections, and the anti-democratic practices that rendered them illegitimate in the eyes of many Lebanese, see Volker Perthes, "Problems with Peace: Post-War Politics and Parliamentary Elections in Lebanon," *Orient* 33, no. 3 (1992): 409–32.

78. Clement Henry Moore, "Le Systeme Bancaire Libanais: Les Substituts Financiers D'un Ordre Politique," *Maghreb-Machrek*, no. 99 (1983): 30–46.

79. On his joint venture with Banque Audi in California, for example, see *Al-Iqtisad wal-Amal*, November 1987: 15.

80. *al-Iqtisad wal-Amal*, November 2, 1989.

81. Najah Wakim, *Al-Ayyadi Al-Soud* (Beirut: Sharika al-Matbou'aat lil-Tawzee' wal-Nashr, 1999).

82. One high former high-ranking official told me of a phone conversation with el-Khoury in which the latter outlined the effort to collapse the Lira. Interview with Anonymous Finance Ministry Official, 2009 and 2012, Beirut. An article in the *Wall Street Journal* seems to confirm part of this story. It details "what Mr. Hariri calls 'the restoration of confidence'" and quotes a Mediterranean Group official who claimed that Hariri-owned banks sold enough dollars during the first three months of Hariri's tenure—October, November, and December 1992—to lift the pound "by about 30% against the dollar." The article relates Hariri's angry response to the official's admission: "'Did we sell dollars? What dollars?' barks Mr. Hariri . . . He glares at Mr. Razian, chairman of the billionaire's two Lebanese banks. The aide stares at the floor. 'The currency has stabilized because I became prime minister,' Mr. Hariri snaps. 'There's no other reason.'" Peter Waldman, "Stepping Forward: Lebanese Premier Uses Own Resources to Spur Rebuilding of Beirut—Hariri's Unorthodox Means Seem to Work, but Ties To Saudis Stir Suspicion," *Wall Street Journal* (March 29, 1994).

83. World Bank, "The World Bank's Experience with Post-Conflict Reconstruction," 46.

84. Klein, *The Shock Doctrine*.

85. Marwan Kraidy, "Broadcasting Regulation and Civil Society in Postwar Lebanon," *Journal of Broadcasting and Electronic Media* 42, no. 3 (1998): 387–401.

86. Sami E. Baroudi, "Economic Conflict in Postwar Lebanon: State Labor Relations between 1992 and 1997," *Middle East Journal* 52, no. 4 (1998): 531–50.

87. Reinould Leenders, "Nobody Having Too Much to Answer For: Laissez-Faire, Networks and Postwar Reconstruction in Lebanon," in *Networks of Privilege in the Middle East: The Politics of Economic Reform Revisited*, ed. Steve Hydemann (New York: Palgrave Macmillan, 2004).

88. Peter Waldman, "Stepping Forward: Lebanese Premier Uses Own Resources to Spur Rebuilding of Beirut—Hariri's Unorthodox Means Seem to Work, but Ties To Saudis Stir Suspicion" (March 29, 1994).

89. *Solidere*, Quarterly Reports, 2009; *Solidere* , Quarterly Reports, 2010.

90. Interview with D., Maxima Fashion Group, September 2001, Beirut.

91. Interview with anonymous *Solidere* official, October 19, 2000.

92. Interview with M., *Solidere*, November 2000, Beirut.

93. Timothy Mitchell, "Rethinking Economy," *Geoforum* 39 (2006): 1116–21.

94. Ferguson, *The Anti-Politics Machine*.

95. Lara Deeb, *An Enchanted Modern: Gender and Public Piety in Shi'i Lebanon* (Princeton: Princeton University Press, 2007).