

The Trap of Neoliberalism for GCC Countries

Salvaging an Economy or Drowning a Community?

ABSTRACT This study investigates the extent to which neoliberalism could be the cornerstone for economic reform and diversification in Gulf Cooperation Council (GCC) countries. It seeks to determine the most important effects of neoliberalism as well as its social and economic costs, starting from the premise that economics is by and large a social science. The study is aimed at exploring the possibilities of crafting an economic doctrine suited to the conditions of these countries and capable of satisfying their current and future needs with the aim of fostering sustained development and stability on a sound basis. In its quest for answers, it uses a descriptive, critical and interpretive methodology in an analytical framework that combines the views of prominent economists and social scientists while paying special attention to the scientific and critical views of Arab Gulf thinkers and their analysts. The study looks at what it called “the five major defects” of neoliberalism: an unfair class system; lack of social solidarity; the debt trap; communal protests; and marketization and commoditization. Five warnings were made to the citizens of the Gulf States: to avoid impoverishment; to be wary of debt; to avoid ventures; to be wary of predators; and to be wary of intruders. The study tackled the twin issues of opting for limited liberalism and the need for reform to allow the economy breathing space.

KEYWORDS: neoliberalism, privatization, market freedom, Gulf Cooperation Council (GCC) countries, debt, class system, communal protests, impoverishment, marketization, commoditization

This study, with its conceptual and theoretical dimensions, is sober, concise research concerning some of the traps of neoliberalism and its major flops within an applied context in several international experiences. As for its applied aspects, it proposes preliminary approaches as to how well and appropriate it is for neoliberalism to become the cornerstone for reform and economic diversification in the Gulf countries in light of their economic and social reality. Hence, it investigates the most important effects and reverberations of neoliberalism and its economic and social costs as applied to the

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Gulf countries. It explores the possibility of innovating or even crafting an economic doctrine that would fit into the circumstances prevailing in these countries to answer their current and future needs with the aim of fostering sustained development and stability on a sound basis. The study is based on the principle or axiom that economics is by and large a social science, which makes it inappropriate to separate between economics and politics for any theoretical or practical reasons.

In its quest for answers, the study uses a descriptive, critical and interpretive methodology in which it uses a measure of cultural diagnostics that permits subjecting neoliberalism, to analyze cumulative observations in both its foreign and local contexts and from an analytical perspective that combines the views of prominent economists and sociologists with special attention paid to the scientific and critical views of Arab Gulf countries' scholars. All this is supported by figures, historical records and data of high interpretive and statistical significance.

NEOLIBERALISM: INTRODUCTION, OUTCOME AND DEFECTS

The pillars of neoliberalism are represented by freedom of the market, individualism and privatization. Without going deeply into the early history of neoliberalism, take as a starting point the Great Depression of 1929 and recall that US President Franklin D. Roosevelt expressed the belief that the major reason for the depression was the overly imprudent freedom of markets and the lavish accumulation of private wealth (Harvey 2008, 297). That marked the turning point for the dissidence of classic liberalism. It marked the beginning of orthodox Keynesianism as the effective would-be economic doctrine that would replace the liberal principles of *laissez-faire*. Thus, the American economy along with its European counterpart both operated in a Keynesian world that did not believe that the market was capable of self-correction and that some measure of government intervention was therefore necessary (Fattah and Billah 2006, 176). That was just after World War II and very remarkable economic results followed (the application of Keynesianism) in light of many indicators.

In the 1970s, the economy was hit by a foreseeable recession that turned unexpectedly into a serious stagflation.¹ During the flourishing Keynesian

1. A stagflation is a situation in which the economy suffers from considerable price increases (inflation) and chronic high unemployment (recession). The presence of these two factors could have serious adverse effects and the macroeconomy might fail to face up to this destructive kind of recession. In the late Keynesian era, both the American and the European economies faced this kind of recession (e.g., Housmanidis 1987, 211–12; Perkins 1980, 28–30).

decades, liberalism was not dormant or submissive but preparing its proponents and researchers to act as heroes to wage a counter-attack on Keynesianism under the guise of neoliberalism, which claimed to have bypassed the liberalism of Adam Smith by allowing a reasonable measure of government intervention (Schäfer 2010, 37–38). Liberalism had its way in the 1980s with the escalation of stagflation and the failure of Keynesianism to find quick, effective solutions. Consequently, UK Prime Minister Margaret Thatcher and US President Ronald Reagan followed an extremist version of neoliberalism at the expense of the welfare state.

In addition, there was also a rise in unemployment, increased class division, increased inequality, the dismantling of trade unions, the privatization of public projects, lower corporate taxes and so forth.² As neoliberalism sought to dominate international, regional, and local economic and educational institutions (e.g., Harvey 2008, 76–77; Reviro 2003, 79–91), it also diversified its theoretical assumptions and related social issues and problems. However, the most important aspects were those pertaining to real-life applications since they nullified many of these assumptions. Among the important nullified principles were those related to market freedom. Many studies have proved by means of logical and practical verification that constraining the market is not anathema given that there are many benefits that cannot be realized except by rational government intervention (e.g., Chang 2013, 177; Fox 2015, 216–22). This issue exposed the indifference of liberalism to social justice and the little attention it paid to it, whether in theory or application (Harvey 2008, 72–75; Krugman 2009, 257–78; Sandel 2009, 130–82; Schäfer 2010, 9–30). The present study, however, emphasizes the importance of engaging in a balanced analytical and critical treatment of the issue, since it is inappropriate either to condemn liberalism or to embrace it. Rather, an impartial independent methodology should be used, devoid of all narrow and restrictive ideological inclinations that spoil the objectivity and independence of an analytical and critical assessment. Through an analytical and critical approach to these theoretical claims, five practical defects inherent in neoliberalism, which used abrasive expressions to manifest them, can be identified. Highly mentionable are also the savvy articulations shown by neoliberalism at ignoring these defects,

2. Among the humors of neoliberalism, Reagan was said to have enforced noticeable tax reductions claiming that this would raise tax revenues, a claim which the then Vice-President George Bush called “voodoo economics” (Stiglitz 2005, 187).

on the one hand, and its absolute deceitfulness, on the other. These are now outlined below.

An Unfair Class System

The sacredness of social justice and its high rank on moral scales was endorsed by John Stewart Mill (Sandel 2009, 130–82). Philips (2016) emphasized the need by the public to have an economy that is both viable and fair. A careful analysis of many indicators would lead one to believe that neoliberalism tends to redistribute wealth more than to create it. It arranges the market in a way that makes for the accumulation of huge private wealth and creates increased income disparity and inequality. There are many instances and statistical indicators that attest to this. For example, according to *Forbes* magazine (2008), the wealth of 1125 billionaires exceeds US\$4400 billion, which equals the amount three billion people receive (or the total combined populations of India, Pakistan, Bangladesh, Thailand, Malaysia, Vietnam, the Philippines and the entire African continent) (cited in Schäfer 2010, 25). This disparity and inequality were documented for the liberal American economy in many scientific studies such as the twin books *The Price of Disparity* (2013) and *The Great Divide* (2015) authored by Joseph Stiglitz. The economic and statistical indicators in such studies belie the prophecy of US President John Kennedy who said, “The current will carry all the boats upstream” (Schäfer 2010, 13).

There are other indicators in the liberal German economy including the writings of Markus Grabka, in which he foresees a steady depreciation for the middle class and a disturbing rise in unemployment rates in Germany. This lends credibility to the warnings of German researchers about the dangers of inequality and rising class divisions that could all lead to the destabilization of social unity and solidarity (Schäfer 2010, 22–25). The research of French author Thomas Piketty published in his well-known *Capitalism in the Twenty-First Century* (2013) is regarded as rich and diverse as it analyzes data covering almost three centuries. This considerably raises the depth and significance of this publication in studying the effect of capital accumulation and private wealth as well as the effect of income disparity and inequality and their manifestation. Among the significant indicators is the one put forth by Piketty that in 1987 there were five billionaires for every 100 million people (who own 0.4 percent of gross international product), whose number in 2013 rose to thirty (owning 1.5 percent of gross international product) with their wealth continuing to grow at an annual rate of 6.4 percent (Piketty 2016, 461–62). He pointed out that market forces continue to control the mechanisms of increase in private wealth, which may undermine security and

stability (29–31, 259–71, 295–98, 316–22). The foregoing indicates that there is a structural malformation in neoliberalism that could reinforce the rise of class divisions and inequality. It also lends credence to the stereotypical statement that “neoliberalism affords us all a mystical freedom but relegates many of us to certain destitution.”

Lack of Social Solidarity

The lack of social solidarity is the second defect considered in this study. Neoliberalism is a philosophy that adopts economic growth within a Darwin–Nietzsche framework, using its power to impair social welfare programs and to praise individualism in its hostile sense which tends to put the blame on the poor and the needy for failing to accumulate wealth and property. Consequently, the argument is to reduce public expenditures that support basic and necessary public services, even if that leads to the spread of poverty, undermining social solidarity and a rising rate of unemployment (Harvey 2008, 104). This liberalism is all for privatizing public projects. In this regard, recall a statement that gained great popularity during the period of extreme Thatcher liberalism when some British people demanded that an end be put to the “abandonment of family silver jewelry” (Harvey 2008, 103; Hertz 2007, 30). This statement is important in that Arabs in the Gulf region may need to consider it before they start privatizing some of their gold jewelry.

Debt Traps

Neoliberalism endeavors to strengthen its institutions in order to impose its control and enable the giant banks to play their winning cards as they deem fit for specific situations. Thus, during a boom, the banks flex their muscles, asserting that they are too important to be subjected to government directives, whereas during hard times they resort to scaremongering, using the argument that they are big to the extent that they cannot be left to go under (De la Barra 2010, 64). After securing the debt machine in this manner, neoliberalism hunts for countries and institutions using debt traps. Glaring examples for this are the experiences of some Latin American countries such as Argentina, whose debt in 1976 was only about US\$7 billion, which ballooned to over US\$139.3 billion by 1996, ninety percent of which was earmarked for venture financial activities (which is another game of neoliberalism) (Teubal 2004, 176). For neoliberalism to continue its debt hunt unabatedly, it seeks—as in the United States—to set up training programs to qualify what has come to be known as economic hit-men. One of the intriguing experiences in this regard is that of Perkins (2012, 40). This practice of neoliberalism

may get involved in dirty operations including rigging elections and offering bribes to support acts of corruption (Harvey 2008, 193).

Communal Protests

There are many instances of rising communal protests against environmentally degrading neoliberal developmental practices. Such practices are also highly conducive to a consumptive spirit among people while suspending or undermining the essence of true democratic practice (Hertz 2007, 223–44). Neoliberalism is also accused of supporting despotism as in the cases of Argentina, Indonesia, China and Chile (Harvey 2008, 195). In this regard, it may be appropriate to recall a statement made by Alan Greenspan in which he correctly points out that contemporary economic growth favors the rich strata of the community, warning against social tensions that may lead to disconcerted economic transformations (Schäfer, 2010, 311).

Marketization and Commoditization

Under neoliberalism there has always been a deep-rooted call for over-consumerism that reinforces what might be termed “liberal existentialism,” which states that: “I am shopping, so I exist” or “I am what I purchase” (Harvey 2008, 227; Hertz 2007, 135). To elucidate this consumerist existentialism, examine some indicators in the Arab world where consumer expenditure in 2014 reached 64.4 percent of gross domestic product (GDP) (60.1 percent in 2013) (The League of Arab States, General Secretariat et al. 2014, 28). As for the Arab Gulf, this expenditure reached US\$865.5 billion in 2014 as against US\$780 billion in 2013, up by eleven percent (The Gulf Statistical Center 2016, 23, 53). In the midst of the obsession with neoliberalism, consumerist existentialism tends to commoditize everything including “nature,” even if that leads to the destruction of the environment and the disappearance of its constituents, systems and biological diversity. To realize all this with the highest degree of efficacy and efficiency, neoliberalism establishes a contract with the “technology monster” (Halal 2009; Harvey 2008) whereby it overlooks the drawbacks of technology as it makes its way in many instances at the expense of the workforce. Neoliberalism would offer as a response to this concern that there is nothing to worry about since the market can create new jobs.

DIVERSIFYING THE GULF ECONOMY: SURGE AND GAP

While the previous sections described the conceptual and theoretical framework of neoliberalism, the present section establishes a knowledge base that

sets the context for applying it to the Gulf Cooperation Council (GCC) economy. Here some of the basic political dimensions of the Arab GCC economies are explored with a special emphasis paid to matters directly related to their diversification.

There is no doubt about the importance of oil as the major resource for most Gulf countries. That being the case, it might safely be stated that the Gulf countries have got stuck with the oil rental (carbon) given the high percentage of the contribution of the oil rental income (which is as high as ninety percent in some of them). While pointing out its negative economic and environmental effects, it is also appropriate to warn against hydrogen attacks on Gulf carbon,³ especially in view of the remarkable progress achieved in producing these alternatives and the reductions in their costs and risks over time in the face of falling or fluctuating oil prices and a rise in its harmful environmental effects, as well as its direct and indirect costs. In the context of renewable energy, attention is drawn to the daring Icelandic experience that raises a challenge with a message that it will become the Saudi Arabia of the hydrogen economy (Vaitheeswaran 2005, 376).

This begs the important question about whether Arab Gulf countries should be on the alert. It is imperative that adequate funds be directed towards strategic energy projects during periods of financial plenty when oil prices are on the rise. There are some good practices in this regard in some Gulf countries, but they are not enough. The importance of real savings must be emphasized, and it should be pointed out that the rate of saving in the Gulf region was negative (minus five percent) for the period 1997–2002, which means that the Gulf region consumed more of its resources than what it invested. This rate, however, turned positive (to five percent) for the period 2005–11, which is definitely a change for the better, but it remains far below expectations.⁴

Another question arises about the Gulf's manufacturing industries. Pointing out the strategic importance of these industries, the Arab Gulf economist Yousef Alyousef (Alyousef 2011, 176–80) asserts that these industries make for stability in economic performance, reduce the effects of economic and political shocks, and provide the basis for sustained development for the Gulf economy. There are some positive indicators in the Gulf for the period

3. This expression refers to the threats posed to oil by the alternative sources of renewable energy such as hydrogen, solar, nuclear, and wind energy.

4. The saving rate in the Organisation for Economic Co-operation and Development (OECD) is ten percent (Nojoum 2015, 6).

2010–14, but these achievements are below expectations and there are structural problems, including the labor force.

With the objective of boosting the diversification of the Gulf economies, it is important to become familiar with the Third Industrial Revolution as basically outlined by prominent theorists such as Jeremy Rifkin (Rifkin 2013) who believed that it is based on five pillars: the transformation to renewable energy sources; turning buildings into small stations; storing intermittent and irregular energy; using linkages in order to make energy matrices overlapping and interchangeable; and transforming transportation vehicles to enable them to work with electricity and energy cells. In addition, the strategic and professional dimensions by way of diversifying the Gulf economy must be enhanced. The strategic importance of the knowledge economy cannot be overemphasized, including the establishment of the pre-conditions for knowledge centers and the intelligent handling of strategic files (such as big data and artificial intelligence), which could all help in meeting the objective of diversification.

THE GCC ECONOMIES: POLITICIZATION AND LIBERALIZATION

On careful analysis of a number of relevant indicators in the GCC countries, some developmental success stories have to be acknowledged, particularly in the fields of infrastructure, education, health, and banking institutions, while showing a high capacity to merge into the global economy (e.g., Kamoura 2012). This analysis itself leads one to conclude that the “politicized economy” is the most widespread and influential pattern in Arab economic practices (including the Arab Gulf region) (e.g., Garam 2014, 19).

The GCC countries have been working out visions and programs for reform and economic diversification since 2008, but there is a marked similarity between objectives, programs, mechanisms, and mottos. The economic dimension is the cornerstone of GCC countries’ visions and their transformation programs. This preoccupation may be considered as a positive sign for the current attention paid to the economic diversification issue as compared with the few past decades. Nevertheless, the big challenge remains, which turns on the ability of the GCC countries to detach their economies from the rentier economy and free themselves from “the grip of carbon.” They must avoid losing their achieved comparative advantages in an atmosphere that does not encourage the development of sustainable competitive advantages.

As for the indications and stages of the liberalization of the Gulf economy, it is possible to make some sort of a general description for these stages, which delineates them as historical eras. In this regard, four overlapping stages were identified, as follows.

Pre-Arab Gulf Liberalism

This first stage centers around the pre-oil Arab Gulf (the time of the formation of GCC countries), which includes the period preceding oil exploitation and that immediately following it (i.e., before its price rise). An essential historical observation was recorded that warrants calling this stage “pre-liberalism,” which was the total absence of neoliberalism during the Gulf formation stage. At that time, the world economy was regulated by orthodox Keynesianism. The discovery of oil resulted in two phenomena: the emergence of astronomically rich economic strata and the formation of an apparently professional middle class.

Partially Implicit Arab Gulf Liberalism

The partially implicit Arab Gulf liberalism became apparent during the initial stages of the application of the economic and developmental plans and programs. When the contents of these plans and programs are considered, evidence shows that they embody clear references to the basic ideas of neoliberalism, such as market freedom and privatization (as was apparent in the contents of the Saudi development plans that commenced in 1970). Nonetheless, it is only appropriate that the possible misinterpretation of the foregoing developmental terms be avoided. Additional analysis is needed that includes: analyzing both words in the light of official documents and the actions in the light of economic application. With this methodological precaution the terms alluded to may exert some influence in three ways: the effective spreading of neoliberal ideas; the economic dependency of the Gulf countries on the West’s economic system; and the broad influence of foreign consultancies. After analyzing some economic and social dimensions, it can be concluded that four reasons make the concept of partially implicit Arab Gulf liberalism reasonable or even justifiable: social and political conservatism; the narrow-mindedness prevalent in the Gulf; the activation of foreign-mindedness; and Arab Gulf liberalist segmentation.

Partially Explicit Arab Gulf Liberalism

There are many indicators that the GCC economy has surpassed the partial application of neoliberalism to turn into an explicit Arab Gulf economic

doctrine. Indeed, taking a line of thought that supports this theme, Sarhan Al-Otaibi (Al-Otaibi 2005, 84), an Arab Gulf political researcher, pointed out that economic globalization has induced the GCC countries to move towards the greater adoption of neoliberalism and the gradual abandonment of the roles of the welfare state. A detailed analysis of the Gulf economic visions reveals numerous indications that they are of a partially explicit inclination. Included among them are the dominance of economic issues and the overwhelming presence of the basic ideas of neoliberalism, such as the open market, fierce competition, the reduction of public expenditure, and social welfare programs.

Towards Total Explicit Arab Gulf Liberalism

There may be a potential methodological proposition about the difficulty or even the impossibility of explicitly and totally adopting neoliberalism by the GCC countries for reasons of political and social considerations. There are two approaches to respond to this. The first is theoretical in the sense that there is nothing in theory to prevent this adoption, even if the probability is small or that it may take a long time. The second is practical. For the term “total explicit” does not imply the full-swing application of neoliberalism in the GCC countries to match the levels of neoliberalism in the United States or the UK or Germany, or even come close to them. The aim is to adopt higher degrees of neoliberalism in these countries. It would be enough if such degrees were unprecedented historically compared with the few past decades. It would also be enough that they reached dimensions that were out of reach in the past.⁵ Among the indicators that suggest that this scenario is imminent are the following: allowing greater freedom for markets and a tendency to open them to giant foreign companies; excessive privatization even in the face of many social and economic problems; getting involved in investment and developmental ventures, including borrowing from abroad; establishing giant projects; glorifying individualism; minimal expenditure on social welfare programs; and the encouragement of consumerism. There is also the possibility of adopting some liberalist structures in the political arena as dictated by social necessities.

5. It is probably clear that not all the Gulf economies would have to adhere to this or other visions. The analysis in this research, though inclined towards macro-aggregation, does not stipulate that it applies to all GCC countries. Some scenarios may take place only in one or even some countries.

FIVE FOREWARNINGS FOR THE PEOPLE OF THE GULF STATES

Considering what has been stated about the traps of neoliberalism, its defects, and actual and potential negative effects, five general forewarnings are outlined in this section for the Arab Gulf people to take account of, each of which in turn also comprises three others. All together there are fifteen parallel forewarnings. They are made within the context of impartial consultative advice for action to be taken immediately in order to avert having to take corrective action in future.

Avoid Impoverishment

It is imperative to reiterate here against following an economic philosophy that reinforces or exacerbates inequality and class disparities. Some of the features of the tragedy of liberalism as experienced by Germany are presented. For example, corporate taxes were slashed by fifty percent while income taxes were raised four times their initial levels in 1975 (Afheldt 2007, 61–72). Anxiety expressed by a group of Arab Gulf economists about the new taxation trend (such as value-added tax) in the GCC countries and their negative economic and social effects is worth mentioning here, especially its negative effect on the growth of the middle class. Within the context of this forewarning to avert impoverishment, three others in parallel come into perspective:

1. Avoid allowing feelings of deprivation to accumulate.
2. Avoid making alliances between power and money.
3. Avoid concentrating on youth from a crisis and problems approach.

Beware of Debt

The neoliberal method of implicating countries in debt is recalled here with some supportive statistics. In 2004, the debts of developing countries reached US\$2.5 trillion, with annual interests exceeding US\$375 billion. This sum is larger than what these countries spend on health and education and is twenty times more than the foreign aid received (Perkins 2012, 22). As for the Arab world, according to The League of Arab States, General Secretariat et al. (2014), the ratio of foreign debt to GDP reached 22.3 percent. In the context of this forewarning, there are three sub-alerts:

1. Avoid debt as much as possible.
2. Take precautions in the investment of sovereign funds.
3. Protect the Gulf securities markets.

Avoid Ventures

Here we warn against getting into ill-thought-out ventures, such as investing in what Warren Buffett termed “the financial weapons of total destruction” (i.e., financial tools and engineering) (Einstein 2016, 83). Here we refer to warnings from within the liberalist arena itself, such as that issued by the Public Accounting Office—an affiliate of the US Congress—about financial ventures and extreme risk-taking (Schäfer 2010, 284–85). This implies the following:

1. Avoid large-scale ventures in the field of the new economy (including the knowledge-based economy).
2. Refrain from passing laws that allow financial ventures.
3. Refrain from investing totally in a single area.

Beware of Predators

This advance alert is intended to warn against giant multinational companies (MNCs) that seek to do away with or weaken national affiliations to achieve total domination over the globalized economy and sell their products and services on several continents and in remote countries. As an illustration, MNCs are so large that the structural transformation carried out by Walmart in 2003 was estimated to exceed in value the gross national product (GNP) of Austria. Indeed, an analytical comparison showed that the incomes of the largest ten MNCs exceeded the incomes of the world’s poorest 100 countries (Murray 2013, 153). Based on this, the following are in order:

1. Avoid privatization.
2. Avoid attracting huge companies.
3. Avoid allowing privatization to accumulate wealth.

Beware of Intruders

The purpose of this forewarning is to reduce the damage inflicted by unjustifiably asking for the help of foreigners. It is against what has been dubbed as “futile advice,” which can come in the form of neoliberal recipes the likes of which were recommended to European countries and resulted in the destruction of some successful experiments in the field of “collective farming” under the false allegation of low productive efficiency, to cite but one example (McIntyre 2014, 110–11). It is this kind of futile advice that prompted Gunnar Myrdal to downplay the probability of the success of economic consultancies that are “presented as recipes,” as he put it (Angresano 2009, 343–50). Within this perspective, in the Arab Gulf context, three warnings are probably in order:

1. Avoid being fooled by the charisma of consultancy.
2. Avoid being fooled by consultancies that are of an international institutional character.
3. Remember that developmental issues are best handled by local thinkers.

DOES “LIMITED NEOLIBERALISM” OFFER A SOLUTION?

By way of seeking an answer to this complicated question, attention is drawn to increased public awareness that supports the restriction of markets and greater government intervention to achieve high communal objectives. This is considered by some as an attempt to forge a third path in economics, which may be looked upon variably as a “neo-Keynesianism” (De la Barra 2010, 639) or a “social economy,” “social capitalism,” “social liberalism,” or other such banners that express the desire to gain freedom from the grip of the market. Some Arab researchers approve this third or new approach, pointing emphatically to the necessity of reducing the levels of liberalism and maintaining some sort of “developmental pride,”⁶ which enhances the independence of economic development at the levels of planning and implementation (Al-Beraidi 2015, 31). In this respect renewed emphasis is given here to the irrelevance of neoliberalism to rental-income countries such as the Gulf countries. This is for several reasons, among which are (Al-Sheehi 2009, 197–202): the difficulty of giving up the traditional functions of the state; the negative effects on political and security stability through the reduction of the social roles of government; and the lack of ability to levy taxes without adopting a democratic system.

By way of suggesting models that could be classified as “limited neoliberalism,” the Scandinavian and Chinese models are introduced here. While analyzing the Scandinavian model, the allegations are refuted by the author about the existence of more humanitarian versions of neoliberalism, such as “humane liberalism” adopted by Bill Clinton, Tony Blair and Gerhard Schröder (Lotfi 2015). Many researchers would argue that the Scandinavian countries have succeeded in bringing liberalism and socialist economies

6. About a decade ago, I introduced the concept of “Cultural Pride,” which generally reflects the level of conviction and degree of acceptance of Arab intellectuals to adopt theories, models, and philosophical and intellectual concepts that do not harmonize with the Arab–Islamic civilizational framework. Cultural Pride can be seen as an umbrella term, under which sub-concepts can be located such as “Linguistic Pride” and “Developmental Pride.” This concept can be investigated qualitatively and measured quantitatively.

together by forging a third path based on balanced government intervention that guarantees comprehensive social welfare (large government expenditure), effectively fighting poverty and unemployment from a social perspective (and not just an economic one) (e.g., Barth, Moene, and Willumsen 2014, 61; Hassan 2006, 239). They also proved great ability in diversifying their economies in a number of ways, including a knowledge economy and the achievement of high levels of democracy (Barth et al 2014, 60).

Nevertheless, Scandinavians warn against the emergence of social problems because of the adoption of a social welfare policy. They have become highly alerted to problems and challenges and are ready to tackle them. Among the big challenges handled in the Scandinavian experience were bolstering the international competitiveness of Scandinavian companies (including supranational innovation systems), improving the programs of education and scientific research, concluding partnerships and alliances, and constantly updating policies and legislation (Benner 2003).

The Chinese model is seen by some scholars as an applied framework for limited liberalism, but with a purely local pragmatic flavor. Looking a little deeper into the Chinese experience with economic openness and social change, we find that it started with the declaration made by Deng Xiaoping in 1978 about a big openness program that appeared to use Confucianism for the purpose of achieving economic goals by enlisting its moral system such as obedience, submission and hard work (Al-Ghandour 2010, 137). The high Chinese capacity to make use of its huge labor surplus (Harvey 2008, 232–33) requires abandoning labor-saving liberalist methods in favor of high levels of employment and large-scale production through the cautious attraction of big foreign companies, which brings it closer to Keynesianism in this regard.

Note that the Chinese model sees the necessity to introduce some constitutional reform. The Chinese government introduced several amendments in 1988, 1993, 1999, and 2004 (Bannan 2011, 266). China also made good political reforms and waged a strong campaign on corruption. There was also a strong belief in the necessity of achieving social stability and maintaining it whether by making available the basic needs of the people or by achieving a high level of employment for the people. But despite the precautions taken by China and the stage-by-stage approach it followed to trigger the desired changes and reform, some of the ills of neoliberalism made their way to China. Thus, income and class disparities rose considerably, and the Gini coefficient rose from about 0.20 to 0.46 in three decades (Schäfer 2010, 349). A class of business and finance tycoons was also formed (Harvey 2008, 234–35). The spirit of conspicuous consumption

became widespread. For example, China is the largest consumer of luxury cars worldwide. More serious than this is the continual reduction in social welfare for several reasons, among which is the growing expansion of privatization programs. All this has led some scholars to conclude that China may be suffering from deep social fractures (many serious large-scale riots have taken place consecutively over the years) (Harvey 2008, 234–46).

Having looked into some of the features of the previous couple of experiments, some practical ideas are now presented that might be helpful to the GCC countries in forging a third balanced approach, including the necessity of observing social–political as well as technical structures. In addition, the GCC countries would do well to avoid the patterns of parrot-like imitation or formal simulations in economic visions and programs or models that lead to immiserising growth. All the strands and schools of thought should be involved in this endeavor, and the roles of universities and research centers should be emphasized.

REFORM BREATHS OXYGEN INTO THE ECONOMY

In this section, further emphasis is put on the unbreakable ties between economics and politics, downplaying the scientific identity bestowed upon economics while emphasizing its social nature. The South Korean experience enjoyed several advantages in its reform and developmental progress having achieved remarkable economic development in accordance with what can be termed the model of the “developmental tyrant,” as exhibited by Park Chung-hee. He staged a military coup d’état in May 1961 and imposed an iron-fist rule that lasted until his assassination in October 1979. Chung-hee brought North Korea out of its isolation through a bold normalization of relations with industrialized Japan, launching a huge program of economic reform that aimed at raising the per capita income to US\$1 000 and exports to US\$10 billion by 1980. This was achieved by the South Korean community by the end of 1977 along with tangible success in transforming South Korea from an agricultural stage to that of an investing community as a prelude to becoming a manufacturing industry. The new industrial capitalism with its giant industrial complexes (*chaebols*) made significant progress in the industrial field, with political savvy that succeeded in bringing foreign aid to targeted fields. Over time, the South Koreans managed to democratize tyranny and to move on towards comprehensive political reform.

At this point, note the importance of paying due attention to the social contract issue under the twin principles of legality (for the state) and legitimacy (for the rulers),⁷ and that this contract helps in affirming both legality and legitimacy within a contractual, unionist, cumulative, and peaceful framework, and in accordance with the established social and political constants and norms (Al-Beraidi 2014b) that cannot include what Al-Otaibi (2005, 96–97) called “the legitimacy of globalization” or “the legitimacy of achievements.” Rather, we argue for renewable legitimacy according to the concepts and prerequisites of the modern state among which are the revision and upgrading of the social contract.

When we analyze the ideas of some elitist Gulf thinkers and researchers, it is found that they think it is necessary for GCC countries to engage in serious political and legislative reform. This could be done on a gradual basis, but in a solid and tangible way that maintains adequate levels of the welfare state. GCC governments must reconsider their priorities and correct them as well as rid themselves of the politicized economy pattern and also be wary of the impoverishing growth and accumulation of public discontent which could amount to what Al-Beraidi (2014a) has characterized as “a brain death of the hope for reform.”

As for reform in the Arab Gulf region, we emphasize the importance of working to rationalize the process of privatization in the GCC countries through a system of fair guiding principles that might help in determining the fields of privatization and the relevant social and economic criteria, including a fair distribution of wealth such that the probabilities of social protests are reduced. We also emphasize the necessity of raising efficiency in the government sector and avoiding completely giving in to the private sector because of allegations of higher efficiency and superior effectiveness (Kan’an 2012, 8–15).

In conclusion, we suggest a number of initial inferences, most notable among which are: all economic schools of thought have their pitfalls and it is inappropriate, therefore, to depend on any single one of them. We also point out that neoliberalism is not a purely evil thing, but its virtues are too few while its vices are too many, especially in rentier-dependent countries such as GCC countries for reasons that are social and political. Indeed, this neoliberalism could play a dangerous role in tampering with the “inner control panel” of the Arab Gulf communities, which might create confusion in their economic and political systems. All this leads to the conclusion that only some

7. For the concepts of legality and legitimacy, see Al-Sayed (2004, 16).

carefully chosen types of “social economics” would suit these countries, after they are infused with some of the mechanisms of neoliberalism. Efforts should continue to strengthen the private sector and increase its competitiveness, innovative powers, and sustainability with due attention paid to rational and balanced privatization which is positively biased in favor of the middle-class strata and the young generation. The foundations for building a knowledge-based economy should be solidified while at the same time being made to conserve expenditure through “conservative ideal leaders” who are top GCC countries’ officials. We also argue for the importance of bolstering the Arab Gulf block and separate political issues from economic ones in such a way as to strengthen the Arab Gulf economies and make them more coherent, competitive, and cohesive. Lastly, we point to a dire need to create a “Gulf historical moment” through the practice of sound political and legislative reform while making use of the good relations between the Arab Gulf states and their rulers, which is one of the most important components of “social wealth.” ■

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