2009-01-01

The Global Financial Crisis and the Hidden Crisis of the Oil-Rentier Economies: Back to Basics; Strategic Insights, v. 8, issue 1(January 2009)

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by Sabri Zire Al-Saadi

Introduction

It is a well-known fact that the oil-rentier economies are widely exposed to the growth pace of the world economy through their heavy dependence on oil exports. It is, therefore, obvious that the current global financial and economic crises have an adverse impact on them. The question is, however, why the suggested global remedies to the crises are not effective in dealing with the main challenges facing these economies. And, why the bail-out packages and the fiscal and monetary stimuli taken by the major developed countries do not fit the conditions for sustainable economic growth in the oil-exporting developing countries.

Crude oil, the world's main energy resource, is invaluable for the world economy as well as for the oil-exporting developing economies. However, oil production and prices have always been controversial among the producer and the consumer countries. The current, and acute, global financial crisis and the economic recession in the major industrial countries have exposed many relevant and important phenomena:

1. First, the similar pattern reflected by the exorbitant expansion of credits in the world's financial and money markets, and the disproportionate spending of the excessive oil revenues.
2. Second, sustainable economic growth is always a function of investment in production capacities, but not investment in opaque financial products, or in non-productive white-elephant projects. It is the lack of real investment opportunities and the inability to increase employment accompanied by loose regulations to guide the investment corporations for their high-risk deals that promote the speculative practices in financial and money markets.
3. Third, the widening disparity in wealth and income, as manifested by increasing levels of poverty, rates of high unemployment, and depletion of natural resources, are not sustainable and cannot be resolved by increasing credits, or through the state's temporary and non-institutional distribution of oil-rent.

Also relevant: the financial and economic crises highlighted the fact that although the involved players—the policymakers, beneficiaries, and losers in the mature and the oil-rentier economies alike have different economic, social, and political objectives, their economic policies have comparable behavior; namely, their inconsistency with the free-market conditions which in turn resulted in the apparent waste of resources. The consequences of both the limitless expansion of credits and the needless excessive spending of oil revenues have shown the deficiency of conventional macroeconomic policies, especially an independent monetary policy, in ensuring economic stability and growth.[1]

The evidence shows that almost all the countries will bear the economic burden of the current crises, though in different degrees:[2] the oil-exporting countries are, at present, slipping into unfavorable circumstances.[3] This paper attempts to clarify their position vis-à-vis the major industrial countries, and highlights their required economic strategy and policies for increasing economic growth and lessening their high dependence on oil revenues.[4] Issues related to the finance regulations of the banks and investment institutions are beyond the scope of this paper.

Different Problems Need Different Remedies

The current global financial and money-market turmoil and the spreading severe economic recession highlight the apparent conflict of economic interests and policies of the oil exporters and the oil consumers' countries.[5] In theory, neither the needless spending of the excessive oil revenues (production) by the oil-exporting countries, nor the limitless expansion of credit facilities given in the major industrial countries satisfies the free market efficiency conditions. In reality, however, the prevailing global financial disequilibria as reflected by the trade balance and the balance of payments deficits of the largest economies—e.g., the United States, Britain, and the EU countries vis-à-vis the surplus of the emerging and the major oil-exporting countries—e.g., China, Malaysia, Saudi Arabia, and Norway—[6]cannot be radically remedied by superimposed economic and/or political decisions for the reallocation of the available financial resources among the countries badly affected by the crises.

This widely propagated remedy, which is exactly the same old policy of "recycling of oil revenues" that followed the increase of oil prices in 1973-1974, advanced by the leaders of the major industrial countries through the IMF, is not only violating the state's sovereignty on macroeconomic policy, but also diminishes the benefits of free market competition. In fact, such a policy suggestion hides the basic economic factors behind the prevailing crises: namely, the lack of real investment, high unemployment, and the low level of private consumption (income).

However, amidst the ongoing crises, where most countries are suffering, the required global coordination of macroeconomic policies and financial assistance to prevent the collapse of the world financial and monetary system should be based on relevant regulations and effective control of financial and money markets, as well as on sound national macroeconomic policies. But such a huge task cannot be performed by carefully drafted, compromised and general statements as presented by the recent economic summit of the G20 group.[7] In reality, politics cannot be ruled out in the process of developing such cooperation and coordination among the concerned countries, but and most importantly, the different economic features and circumstances that reflect the stage of development and the availability of resources which characterize each of the world economies must be considered.

The global crises have exposed some important similarities and differences of the credit expansion practices in the advanced economies and the excessive spending of oil revenues in the oil-rentier economies. Both experiences have had economic irrationalities against the free market efficiency conditions. The overwhelming evidence of the credit crisis in the major industrial countries, especially the United States, that triggered the global financial and money crisis and revealed the economic recession crisis; the continued housing slump, increasing unemployment, low consumer confidence, the reduction in household spending, and the steep fall in private investment, as well as the economic and fiscal policy experiences of the oil-rentier countries, suggest that the conventional policies applied to control macroeconomic events without intervening in the firms' investment decisions in order to sustain stability and growth should be changed or modified.

In industrial countries, the dogmatism of frequent business and economic cycles in the capitalist system cannot justify the market failure caused by the irrational decisions taken at the corporation (firm) level by their management, and at the macro level by the fiscal and monetary authorities. Also, the prevailing market imperfections in the oil-rentier economies—i.e., insufficient physical, institutional, and legal infrastructure, scarcity of skilled labor and entrepreneurship, and lack of political stability—cannot justify the misuse of the available oil-rent that maintain its high dependence on oil sector for sustaining the economic activities and improving living-standard indicators without taking into consideration the possible external negative changes in the world oil markets. It is, therefore, logical to conclude that the call for a global solution to the prevailing global financial and economic crises is not universal and should be qualified by appropriate consideration of the distinguished features of the concerned economies.

The present crises ascertained that the absolute priority of the political authorities in most affected mature economies was to save their financial and monetary systems, at any cost, from the complete collapse mainly by budget-deficit financing and increasing public domestic and external debt, as well as by reallocating the world's financial resources available to the countries that have huge trade and balance-of-payments deficits. In the oil-exporting developing countries, the applied fiscal and monetary policies continue to maintain the high level of government expenditures and imports financed by excessive oil revenues. These financial measures, claimed to be of a short-term nature, appear to the public as necessary and in the right directions, but unfortunately it would not root out the causes of the crises. A glance at the rapid deterioration and the fast pace of crisis events, and the large changes made to the aims and the magnitude of these financial plans and measures undertaken by the fiscal and monetary authorities in the United States, Britain, EU countries, and other countries to help the major banks, investment institutions, and industries, since the housing credit-mortgage bubble burst in August 2007, shows how uncertain it is to maintain macroeconomic stability and events consistent with free-market efficiency. The reason for such uncertainty is not only that the regulated authorities—i.e., the central banks have no exact idea about the size of the credit bubble and the loophole of the regulations of the investment corporations, but also they have had no effective instruments to regulate the macroeconomic equilibrium at the national level, needless to mention the equilibrium at the global level.

It is significant to recall that by increasing public debt—i.e., using tax payers' money for financing the ailing major banks and industrial companies—the targeted economic stability cannot be sustained and economic growth cannot be ensured in the medium- and long-term. Moreover, the governments' intervention that fully and partially nationalized or financially assisted the ailing banks to help the business entities in dealing with their credit problems might not be productive in the medium- and long-term. In this respect, we should remember the inefficiency "stigma" of the public enterprise operations that dominate most of the countries—especially the oil-exporting countries—prior to the 1980s and the continuous call for their privatization. Is it not a backward economic policy to provide direct assistance to the inefficient banks and industries, or is it a genuine need to correct a market failure?

For the oil-exporting countries, as the oil prices (revenues) decrease as a result of the world's oil demand decline, the pressure on their accumulated foreign currency reserves and financial investment in the world financial and money markets will increase, though not in the short-term, and the surplus of their balance of payments will quickly decrease. And since their fiscal and monetary policies are rather rigid due to the dominance of government expenditures over the aggregate "effective" demand and the limited sources of public finance, the social discontent and the silent political pressure on the authorities are expected to be considerable in order to maintain the present high level of government expenditures. At present, their financial resources and flexibility might be enough to avoid serious economic downturn until the point where government expenditures decrease substantially and the "hidden economic crisis"—i.e., their high dependence on oil revenues—starts to burst. It is unfortunate that the experience of those countries show that only in time of severe financial crises, the call for realizing the risk of high dependence on the oil sector gains some attention from the concerned political authorities. If the pressure of the world economic recession increases, the fiscal and monetary policies in these countries should, therefore, be changed in line with the long-time advocated radical structural reforms, which necessitate the state action to influence the economic growth path through relevant macroeconomic policies, especially investment in infrastructure and strategic industries.[8]

The Global Financial and Economic Crises: Violation of Free Market Basics

The policymakers, like the professional economists, are practical people, but under heavy political and social-discontent pressures, they tend to act far beyond the economic rationalities. The justifications for the financial support given by many governments to save the ailing major banks, investment institutions, and industries have twisted the argument on the causes and remedies of the financial and economic recession crises in the major mature economies, apart from the explanation that preserve the indigenous conditions of economic growth and employment in a free market. As summarized by the world's major economies (the G20), their efforts to alleviate the prevailing global financial and liquidity problems showed that there were no unified or consistent macroeconomic policies for dealing with the prevailing problems except the call for structural reforms of the global financial system and tightening the credit regulations. Even with the identification of the crises' causes, the G20 have considered all factors on the same level of importance—i.e., the inadequate appreciation of the risks by market participants, weak underwriting standards, unsound risk management practices, increasingly complex and opaque products—and the policymakers, the regulators, and supervisors, in some advanced countries, did not adequately appreciate and address the risks building up in the financial markets.[9] Also, the G20 confirm that the major underlying factors were, among others, inconsistent and insufficiently coordinated macroeconomic policies, inadequate structural reforms, which led to unsustainable global macroeconomic outcomes.[10] Prior to the G20 summit conclusions, the economic and financial authorities in the United States have identified the collapse of the housing market, in particular, as the main cause of the financial and money market crisis and, therefore, they assumed that the remedy should begin with financial stimulus to this sector.[11] More importantly, the financial support packages introduced by Britain, the United States, and the EU countries in the form of full and partial nationalization and bail-out of the ailing major banks, investment institutions, and industries, as well as bad debt, were in clear contrast to the conventional macroeconomic policies that have been applied for a long time by the major developed countries and rigorously imposed, through the IMF, on the developing countries, including the oil-exporting countries, as part of liberalization reform of their markets. However, although these urgent practical measures have been temporarily essential for avoiding the complete collapse of the national and global financial and monetary systems, they fell short of dealing with the real factors of the crises, if not planting the seeds for long-term structural problems. For example, the apparent high increase of public debt and the reduction of interest rates in Britain led to a sharp devaluation of the foreign exchange value of the GBP (British Pound) which would not ease its economic recession in the longer-term. In fact, such analysis has dominated the IMF doctrines for a long time. It is relevant, in this respect, to note the IMF has not observed the need to reduce the annual budget deficit, or the trade- and balance of payments deficit of the U.S. economy, the world's largest economy.[12]

Indeed, while investment is always the engine of economic growth and employment, the wide use of money and financial resources as instruments in speculative future dealings through the shares, bonds, commodities, derivatives, hedge funds, and other financial products, generate financial bubbles rather than allocate the expansion of real production capacities. In addition, the macroeconomic environment, where housing prices were increasing, encouraged home owners to extend their home-mortgage credits regardless of their ability for future repayment, have generated the housing bubble. These are the reasons for the market failure that were behind the fundamental factor of the prevailing crises—i.e., the supply of goods and services fell short of aggregate demand, which was promoted by non-qualified credit. In other words, the huge expansion of credits for financing the “anticipated” high-return investment in the financial and money markets that are widely integrated at global level has not been sufficient to finance the expansion of production capacities. The symptom of this problem was very clear from the fact that during the 2003-2007 period, the average rate of world economic growth was estimated at about 3.6%,[13] while most of the financial markets’ indices have grown annually at more than many times GDP growth rates. Such facts that characterized economic development in most countries leave no doubt that a financial bubble was developing and sustained by the false belief of the speculators in future price rises. *This phenomenon hides the fundamental cause of the market failure—i.e., the increasingly divergent gap between the flow of goods that are constrained by physical and management production capacities, and the flow of money and credits that were expanding fast without proper restriction.*

Amazingly, since 2001, there have been rigorous efforts on the part of the economic authorities responsible for fiscal and monetary policies as well as the banks and financial institutions in the major industrial and emerging economies for promoting consumer demand by credit as the main stimulus for increasing economic growth and employment. This is correct—increasing demand is a necessary but not sufficient—growth condition. Moreover, encouraging investment through the reduction of interest rates might work as a disincentive for stimulating savings for investment. The assumption that by putting your money in the financial market would have a better return must be qualified by the real increase of the production capacities of related industries. The provision of money liquidity needed for credit expansion in financial and money markets should be constrained by the actual industrial performance, not the profit generated by increasing the assets’ prices for the banks and companies through mere speculative trading in the stock markets. Also, the applied policy for reducing the cost of economic activities by depressing wages to the minimum subsistence level would not increase the effective demand that stimulates growth.

Given the huge size of the financial bubble—e.g., the value of the world stock markets was estimated at about $36.6 trillion, and the value of global derivatives was estimated at about $480.0 trillion, or some twelve times of the value of the world GDP[14]—the increasing money liquidity and recapitalization of the ailing banks, investment institutions, and industries through the bail-out packages that were financed by increasing the deficits of public finance, as experienced by the major industrial countries, can only alleviate the liquidity problem in the short-run, but not prevent economic recession. It is obvious that when the assets of the banks and the industrial companies substantially devalued, and the banks’ ability to provide credits substantially decreased, there will be sharp reduction in its activities, as well as the activities of other industries, and consequently leads to cutting the number of their employees. The fast fall of the major industrial economies into a recession-trap ascertains the basic economic proposition that the increase of effective demand can only be determined by increasing real income generated by the expansion of production capacities and wages, but not through the overvalued prices of the “future” products traded in the world financial and money markets. This phenomenon was manifested in the dynamics of the expansion of home mortgage loans, especially the sub-prime mortgage, and the resulting high increase (overvalued) of houses and properties’ prices, which in turn encouraged the home owners to remortgage their properties and use the value difference for increasing their consumption. Indeed, with the nearly unlimited credit facilities, people have consumed their non-realized “future income.” Hence, the huge amount of credits that were not allocated for financing real investment have created the illusion of a possible increase in the value of the traded products, commodities, and money from mere speculation. This simply means a violation of the basic principle of economics—i.e., investment creates tangible products and the value of the latter is determined by the cost of production and the utility of the consumers. Undoubtedly, creating value out of nothing (speculation) is an economic paradox. It is true that the supply and demand imbalances, as the free market advocates insist, would be settled by the free market built-in mechanism, but it is also true that for reaching the new “lower” equilibrium as in the present case, there is a cost to pay. Indeed, the world is still paying a heavy financial and economic cost for alleviating the internal and external financial and economic imbalances.

The Dynamics of Oil-Rentier Economies

In theory, under the ideal perfect free competition conditions, the price mechanism would lead to efficient allocation of resources—i.e., economic efficiency can be achieved by the market without the state's intervention. In reality, however, the function of the price mechanism is affected by the macroeconomic events where the state's policies, and less important the private firms' decisions, can influence it. Indeed, none of the successful economic development experience in the world avoided the essential economic role of the state.[15] In particular, the social dimensions of the economic activities necessitate an active role by the state in order to maintain social justice in the distribution of economic development benefits among the citizens. Also in theory, the excessive economic-rent (revenues) of oil exports violates the principles of free market in two aspects; first, it generates significant economic and financial surplus from outside the normal non-oil production activities at a very low cost without the possibility of having new competitive investments in the oil production industry; and secondly, there is no economic need for increasing oil production (exports) while oil demand and prices are increasing. As a consequence, excessive and continuous public spending of the abundant oil revenues in an economy of limited absorptive capacity create the dynamics that aggravate the existing structural economic problems; namely, increasing the high dependence of the economy on oil.[16]

Under these conditions, the question is; do we have an efficient model for the functioning of the oil-rentier economy? Or, to put it in practical terms, is there an effective applicable strategy and policies for transferring the oil-rentier economy to a competitive free market one that sustains economic growth and employment?

Experience showed that the obstacles which impede the liberalization of the oil-rentier economy and hinder its growth lie in the state's high dependence on oil revenues (exports) for financing the high level of government expenditures; consumption and investment in infrastructure, and for increasing imports.[17] In an economy with limited absorptive capacity, such a high level of effective demand creates a high level of money liquidity and inflationary pressures. Parallel to this pattern of activities, the citizens' dependence on the state increases for maintaining their income through employment in government departments and public enterprises, as well as calling for maintaining government expenditures on public basic services. Also, public expenditures for the erection of the required physical infrastructure and its costly maintenance would sustain the high dependence of the private businesses and the people alike on the state's oil money. As time passes on, the interrelated upward-trend dynamics of the state and the citizens' high dependence on oil revenues have resulted in two important socio-political features; first, the ruling authorities realize and exploit the fact that as long as people and the private sector are paying little or no taxes and non-oil exports contribute little to finance imports, then there is no need for them to participate actively in the state's economic and political decision-making processes—i.e., the political and economic role of the citizens and private sector becomes marginal. Secondly, in order to maintain their income and improve their living standard, the citizens always raise their concern and repeat their demand for creating new work opportunities despite of the dire need for increasing labor productivity, and expanding public services. Similarly, the indigenous private sector and business community increases continuously the pressure for more government expenditures on infrastructure and public buildings and construction works, where profit is secured compared to the risk of investment in non-oil industrial and agriculture activities.

The vicious circle of high dependence of the state and the citizens on the oil revenues is deepening further by the exerted external pressure for increasing oil production (exports) and the IMF's and the World Bank's continuous demand for increasing the spending of the excessive oil revenues through the annual budget, imports, and investment in foreign financial institutions and international corporations. It was an apparent biased policy that the IMF and World Bank gave priority to alleviate the world's financial problems by maintaining the supply and demand equilibrium at a global level rather than satisfying the interests of the oil-producing developing countries.[18]

These developments have always resulted in a continuous increase in economic activities at a higher level of prices, but not necessarily a parallel lead to the expansion of the non-oil industrial production capacities. It did not generate new income (production) and saving (investment) sources. Indeed, excessive spending of oil revenues reduces labor and capital productivity and, thus, the economic competitiveness criteria are not satisfied.

The Global Crises and the Economic Policies of the Oil-Rentier Countries

Despite their financial losses in the domestic and world financial and money markets, the oil-exporting countries are still enjoying their abundant financial resources available in the "state sovereign fund" and foreign currency reserves that are sufficient to maintain their high level of domestic aggregate demand and the required imports for at least two years in the case of the major oil-exporting countries.[19] Most important, however, it is essential to emphasize that their serious economic problems cannot be rooted out by temporary fiscal and monetary measures as widely advised by the IMF.

Since the 1950s, the major oil-exporting developing countries have increased their dependence on oil revenues and have developed a structural problem: the hidden economic crisis. In those countries, it was quite right and fully justifiable at the early stages of their socio-economic development to maximize and utilize oil revenues in financing their badly needed physical infrastructure projects and the provision of public education, health, and social services. However, as those economies grew over the last few decades and peoples' living standards substantially improved, the state's reliance on oil revenues increased to the extent that the economy becomes more sensitive to the external economic and political fluctuations. Equally important, the economic reliance of the people on the state has also increased to the level where the state's macroeconomic fiscal and monetary policies are restrained by peoples' increasing economic, social, and political demands. The major economic players behind these developments, the government and the indigenous and foreign investors, have failed to expand and diversify the industrial production activities and generate new national income sources enough to ensure economic stability and growth against any significant fluctuations in the world's demand for crude oil. The actual experiences show, in particular, that inefficient public enterprises have failed to generate enough financial and economic surpluses, and thus encouraged the state to embark on a privatization program. Parallel to this, the activities of the private sector have concentrated on trade and construction sectors, but not investment in industry, except for investment in the crude oil industry, which is monopolized by the state. This investment failure was mainly due to ineffective macroeconomic policies, lack of skilled manpower, inadequate infrastructure, the limitation of the legal institutions and commercial laws and regulations, severe political problems, and partly due to inefficient indigenous entrepreneurship. The latter is a significant factor that was behind the rush of the indigenous business communities and the government and public enterprises to invest their abundant financial resources in the domestic and world financial and money markets and properties, which have had the adverse consequences of the current global crises.

As the actual experience proved and theoretically analyzed, the extreme situation that these countries might face—i.e., a huge and sudden reduction in oil export revenues—shows a sharp fall in domestic economic activities and the real (shadow) prices of oil resources, as reflected by the foreign exchange of the currency, drop fast. The resulting big decrease of the state's financial resources, especially foreign currency, will constitute a very heavy constraint on government expenditures and imports that are required for maintaining consumption, investment, and provision of raw materials for production. Consequently, the living standards will substantially deteriorate.[20] The impact of the current global crises, however, is much less than nearing the extreme economic collapse scenario since the countries have enough financial resources.[21] Oil revenues are still coming from exports, though less in value, and the governments try to adhere to its budget expenditures, especially for unnecessary public projects, and public enterprises as well as private enterprises hold the implementation of their new investment projects. Even traders started to cut their luxury and non-essential imports. So far, in addition to the huge drop in the values of shares in the domestic and world stock markets and properties, the short-term impact of the global crises has been in decreasing national consumption and imports. However, the actual reduction in economic activities has resulted in a noticeable increase in unemployment, and under-utilization of production capacities and resources. All normal assumptions regarding the values and behavior of economic variables and parameters that characterized the oil boom during the last three years become less relevant.[22] Socially, if the current events continue, it will eventually lead to widespread popular discontent, increase poverty, and political instability. The symptoms of the economic hidden crisis gradually become apparent, and the crises show the gravity of neglecting the required policies and reforms to increase production of non-oil sectors, non-oil exports, non-oil financial sources of public finance, and increasing the share of private sector to GDP.

In response to the current global financial and economic crises, the immediate concern of the economic authorities must focus on the following:

- A better coordination of the fiscal and monetary policies and credit regulation measures are urgently needed in the short-term. Also, an Early Warning System is required to monitor the money liquidity situation, credit expansion, and the capital base of the banks and investment institutions. Similarly, a short-term economic forecast model is required for reviewing the growth rates by government macroeconomic planning authorities.
- In the medium-term, it is required to continue the implementation of the development projects, especially the physical, social, and environmental infrastructure of national development plans and programs. Such continuation will benefit from the likely decrease in prices of imported products, commodities, raw materials, and imported technology. It would also maintain the domestic non-oil production and economic activities.
- For the medium and long-term, the strategy of economic diversification—i.e., reducing the economy's high dependence on oil revenues for maintaining public investment and government expenditures and financing imports, should rigorously be implemented. Clear criteria for monitoring the progress in implementing this strategy should be introduced and politically committed by the state.

Conclusions

Economic globalization has not changed the basics of economics where investment is the engine of growth; but investment means the expansion of production capacities, not the speculative finance in the future prices of products, commodities, and money. Also, sustainable economic growth cannot be achieved by increasing demand through unlimited credits in financial and money markets.

The current global and economic crises have changed the conventional assumptions related to the role of the state fiscal and monetary policies in regulating the macroeconomic events in consistency with the firm (micro) activities, but not the basic conditions of the free market competition that lead to efficient allocation of resources—i.e., economic growth. However, the different causes of the credit crisis and the associated financial and money markets, and the economic recession crisis in the major developed countries and their adverse impact extending to the world economy beyond 2009 on the oil-exporting economies, suggest that the political notion that "global financial and economic problems need global solutions" has neither concrete economic justification, nor practical viability.[23]

The current global crisis has exposed the deficiency of the common macroeconomic policies, especially the independent monetary policy in maintaining economic stability and growth as reflected by the unprecedented state intervention of the major developed countries to provide liquidity and financial assistance through bail-outs for the ailing banks and industries by annual budget deficit-finance and increasing public debt, and also to stimulate the economy by boosting consumer spending and restoring confidence in the business and banking sector. Though not related to the current global financial crisis, the macroeconomic policies undertaken by the oil-exporting countries; namely, the excessive government's spending of oil revenues and investment in the domestic and the world financial and money markets, have failed to improve their economic position against the sharp drop in oil revenues. However, the different causes and remedies of the current crises shows that the prospects for having unified global macroeconomic policies to regulate the global financial system, as envisaged by the major developed countries, is beyond reach.

While the irrationality of the fiscal and monetary policies in the developed industrial countries resulted in huge problems of money liquidity, recapitalization of the banks and investment institutions, the need for credit regulations and monitoring of the global financial and monetary system, the oil-exporting developing countries are still facing the dire need for the expansion of production capacities and undertaking radical economic structural reforms—i.e., increasing investment in indigenous industries and encouraging the indigenization of foreign investment, especially the highly advanced technologies, and reducing the high dependence on oil revenues in financing the government expenditures and imports. Only by these policies will the risk of the hidden economic crisis be diminished.

References

1. Analytical comparison to these problems was given in Sabri Zire Al-Saadi, "Crucial Challenges to Global and Oil-rentier Economies," to be published in *Contemporary Arab Affairs* 2, no. 1 (January 2009), issued by the Center of Arab Unity Studies, and published by Routledge: Taylor & Francis Group Ltd., London.

2. Statistical macroeconomic indicators are given in the UN report, "World Economic Situation and Prospects 2008: Update of Mid-2008."

3. An assessment of the present economic and political power and weakness of the oil-exporting countries was given in Sabri Zire Al-Saadi, "Oil Power and Adversity in Iraq's Experience: Case History of the Middle East," *Strategic Insights*, Center for Contemporary Conflict, Vol. 7, Issue 2 (April 2008). Republished in Arabic in *Al-Mustaqbal Al-Arabi*, a monthly journal issued by the Centre of Arab Unity Studies, Beirut, Lebanon, no. 255, September 2008. Also republished in a collective essays Arabic's book entitled "Iraq under Occupation: Destruction of the State and Perpetuating the Chaos," issued by the Centre of Arab Unity Studies, Beirut, Lebanon, October 2008.

4. A case study of Iraq and a comprehensive theoretical analysis on these issues are given in Sabri Zire Al-Saadi, "Success Conditions for Iraq's Oil- Rentier Economy: Special Theory of Economic-Rent and Free Market Efficiency," *Strategic Insights* 6, Issue 6 (December 2007).

5. General coverage of the global financial crisis and a timeline of the credit-crunch bubble is given in the *BBC*'s "Global Financial Crisis" section of its website.

6. Among the major developed countries, Germany and Japan have trade surpluses, while India and Turkey among the emerging economies have trade deficits. Statistical indicators can be found in the "Economic and Financial Indicators" *Economist*'s website.

7. This can be seen in the section entitled "action taken and be taken" of the G20 "Declaration of the Summit on Financial Market and the World Economy," issued at the end of their summit held in Washington, November 13-14, 2008, where we find these statements: "Recognize the importance of monetary policy support, as deemed appropriate to domestic conditions," and "Use fiscal measures to stimulate domestic demand to rapid effect, as appropriate, while maintaining a policy framework conducive to fiscal sustainability."

8. See "Success Conditions for Iraq's Oil-Rentier Economy: Special Theory of Economic-Rent and Free Market Efficiency," Op. Cit.

9. See "The G20 Summit Declaration," Op. Cit.

10. Ibid.

11. The original aim of the U.S. Treasury's $700 billion bailout was to purchase the bad assets, especially home-mortgage credits. The aim was then changed radically to focus on supporting financial institutions that offer consumers credit rather than purchasing the troubled assets.

12. It is a well-known fact that the reduction of the annual budget- and trade deficit was a top priority of the advocated economic reform policies in the developing countries which were considered as the conditions for providing them the badly required foreign loans to maintain their external financial stability.

13. Except the high growth rate of China's economy, which was estimated at about 11.8% in 2007, and predicted at 5.0% in 2008 under the pessimistic scenario that reflect the severe global economic recession, the baseline of the world's growth rate was estimated at 1.8% and 2.1% in 2008 and 2009, while in the pessimistic scenario was estimated at 0.8% and 1.4% in 2008 and 2009. The predicted growth rates of the developed economies are estimated at 0.6% and 0.9% in 2008 and 2009, while in the pessimistic scenario they were estimated at -0.3% and 0.7%. For the U.S. economy, the largest in the world, the average growth rates was estimated at about 2.9% during the period 2003-2007 and the predicted to be -0.2% and 0.2% in 2008 and 2009, while in the pessimistic scenario it is estimated to be -1.3% and 0.3%. During the same period 2003-2007 the developing countries achieved relatively high growth rates estimated at about 6.7% and expected to be about 5.0 and 4.8 in 2008 and 2009 while in the pessimistic scenario was estimated at about 3.5% and 3.3%.

14. No reliable estimates to the value of credits and derivatives in the world markets are available, and these published estimates are only used to support our general emphasis on the huge size of the credit bubble as well as the failure of the monetary authorities to monitor the credit markets. See Wikipedia's entry on the "Stock Market."

15. The U.S. credit crunch crisis (August 2007 to date) and the resultant turmoil of the global financial and money markets and the governments' intervention, especially of the U.S. and Britain, that takes the forms of direct financial support and nationalization of the ailing banks and financial institutions, provide clear evidence that the state economic role is important. See, Sabri Zire Al-Saadi, "Crucial Challenges to the Global and Oil-Rentier Economies," Op. Cit.

16. See, "Success Conditions for Iraq's Oil- Rentier Economy: Special Theory of Economic-Rent and Free Market Efficiency," Op. Cit.

17. See, Sabri Zire Al-Saadi, “Liberalization Strategy for Iraq’s Oil-Hostage Economy: Alternative to Oil Power Dominance and Neo-Liberal Subordinate Economic Policy,” Part 1 and 2, *MEES* 49, nos. 42 (October 16, 2006) and 43 (October 23, 2006).

18. See Sabri Zire Al-Saadi, “Oil Power and Adversity in Iraq’s Experience: Case History of the Middle East,” Op. Cit., and “Crucial Challenges to the Global and Oil-Rentier Economies,” Op. Cit.

19. No estimates have been given by the official authorities or credential institutions to the amount of financial losses of governments and private companies and business dealers. However, such losses would add further evidence to redirect the available financial resources to investment in their countries.

20. In reality, the severe negative impact of the UN economic and trade sanctions on Iraq (1990-2003) proves this theoretical suggestion. The catastrophic social, economic, and political consequences of the oil export embargo were beyond the sensible anticipations of economists and politicians. On the details see Sabri Zire Al-Saadi, “Oil Wealth and Poverty in Iraq: Statistical Adjustment of Government GDP Estimates (1980-2001),” *MEES* 46, no. 19 (May 12, 2003).

21. See, “Success Conditions for Iraq’s Oil-Rentier Economy: Special Theory of Economic-Rent and Free Market Efficiency,” Op. Cit.

22. Ibid.

23. See; UN, “World Economic Situation and Prospects 2008: Update of Mid-2008,” Op. Cit.