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Monetary Regimes and Socioeconomic Stability: A Missing Link in the 'Arab Spring'?

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1. Introduction

The political and social uprisings that spread rapidly across the AW in early 2011 surprised many economists. At the end of 2010, Arab countries were seen as having 'weathered' the global financial crisis of 2008/2009 and having regained stability. Visible impacts of the global financial crisis in the Arab region were seen in Kuwait (the Gulf Bank of Kuwait suffered a bank run in October 2008) and the UAE (the capital flight and liquidity squeeze which culminated as the 'Dubai Shock' of December 2009). The main adverse impact of the global financial crisis over the region was a plunge in crude oil prices, which hit growth rates of GCC countries and weakened wealth spillovers from major energy-exporting countries in the region to other Arab countries. Nevertheless, during the period before the Arab Spring, the economy of net energy-importing countries in the region, which were seen as more vulnerable to negative external shocks, stayed stable without balance-of-payments concerns. IMF country papers on Arab countries in 2010, based on IMF's Article IV consultations put forward an optimistic view, albeit cautiously, of the economic prospects for Arab countries in 2011. In summation, in the period immediately before the Arab Spring of 2011, Arab countries were believed to be on stable macroeconomic paths.

Even those economists were well aware that Arab countries were carrying serious structural socioeconomic challenges of recent decades, such as low growth, high unemployment and increasing economic inequality. In order to overcome these structural socioeconomic issues, a new social contract among Arab countries, civil societies, employers,

employees and other social actors had been repeatedly urged by major international development organisations. For example, the United Nations Development Programme's (UNDP's) Arab Human Development Report 2002 (UNDP, 2002) pointed to the 'freedom deficit, gender inequality, low levels of health care, education and information technology usage, and high unemployment of Arab countries', and called for a 'holistic development' strategy for reaching the new social contract, in which 'a synergy is generated between a revitalised and efficient government, a dynamic and socially responsible private sector, and a powerful and truly grassroots civil society'. In another example, one of the World Bank's reports (World Bank, 2004) pointed out that rising unemployment, stagnant real wage level, rapid anticipated growth of working-age population and a shrinking public sector – which is, traditionally, an employment-absorbing sector – would put Arab countries in a serious employment situation, which only the creation of additional considerable number of job opportunities, up to 100 million by 2020, could resolve. In conclusion, the report emphasised the necessity of 'a new social contract' among government, employers and employees to replace the existing social contract, which dates back to the pre-independence period. Despite their alarming tone, these proposals did not result in any constructive outcomes. Thus, for those who were monitoring social changes and dynamics among social groups and classes in the AW, the Arab Spring was not a surprising series of events. These mounting socioeconomic challenges have always been seen as potentially destabilising factors.

However, it was generally understood that social instability would be triggered by a culmination of macroeconomic instability. The main observable variables used to assess macroeconomic stability in developing countries are two: the currency exchange rate and price level. A balance-of-payment crisis, combined with an excessive devaluation of national currency and hyper-inflation, could lead to social unrest and political turmoil. A case in point is the May 1998 riot in Indonesia, which brought the 30-year rule of President Suharto to an end. During a six-month period prior to the riots, the value of Indonesia's national currency diminished to 25 per cent against the US dollar, and in the month prior to the riots, year-on-year inflation rate reached 50 per cent. Compared to this case of Indonesia, among Arab countries both these variables were stable during 2010 (see Figure 5.1). There were no signs of culminating macroeconomic instability in December 2010. This observation led many economists to the conclusion that the Arab Spring is a series of socio-political, rather than socioeconomic, events: namely,

	Real wage private sector	Real wage public sector	Per capita real GDP
Egypt (2001–2010)	0.3%	4.4%	3.1%
Jordan (2000–2010)	1.8%	1.1%	3.7%
Tunisia (1999–2007)	1.6%		3.9%

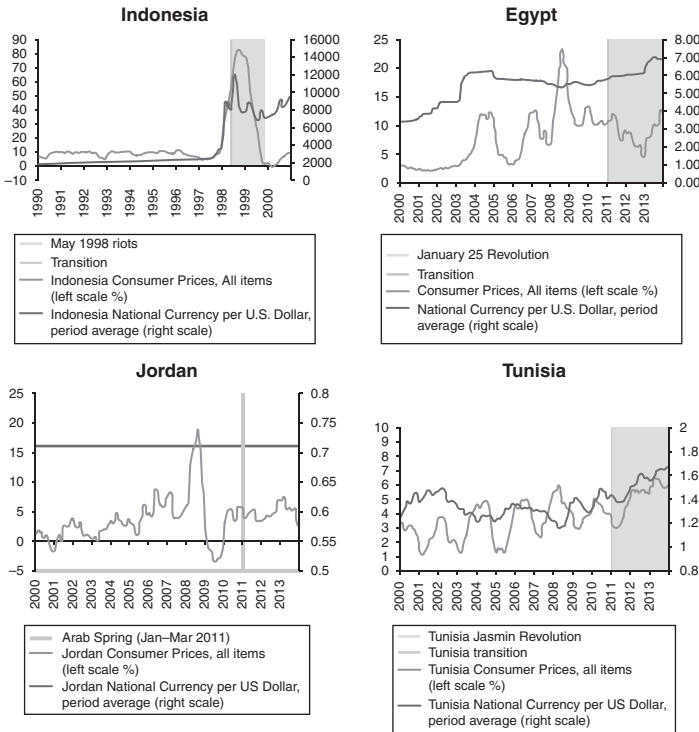


Figure 5.1 Macroeconomic stability before social unrest

Source: World Development Indicators.

a political transition due to popular demand. These economists often treated the series of events during the Arab Spring as if it was external to the Arab economies. According to this view, the economy of Arab countries, which have been stable, were adversely impacted by an external factor called the ‘Arab Spring’. In fact, it was after the uprisings on the street that macroeconomic variables started to show deteriorations. Most notable, among others, was a depletion of foreign reserves

in Egypt, Jordan, Sudan, Syria, Tunisia and Yemen, which, even during the period of the global financial crisis, had not happened. Having recorded a few years of resilience after the global financial crisis, the sudden macroeconomic instability inflicting the Arab countries, with the exception of GCC countries, was difficult to attribute to any internal economic event but to the political instability and social unrest following the Arab Spring. After all, as we enter the fourth year of the Arab Spring, what most of Arab countries, with the exception of GCC countries, are facing are political, social and macroeconomic instability.

In the assessment of the stability of a society, various concepts of 'stability' can be applied. Politics and geopolitics aside – though they are important to understand the Arab region – two opposing views on stability stand out in analytical narratives of the Arab Spring: one is of macroeconomic sense and the other, of socioeconomic. Those who were surprised by the series of events in the Arab Spring mostly identified with the concept of macroeconomic stability. Macroeconomic stability is based on the neoclassical precepts of economics. This concept, by its nature of accounting principle (in other words, a model needs to be 'closed' or 'balanced'), is characterised as static and lacks a theoretical connection to political or social instability. An analytical framework on this concept treats the socioeconomic events of the Arab Spring as external shocks.

On the other hand, the concept of socioeconomic stability generally incorporates various schools of thought and is more flexible in its application. The notion is based on interaction and interdependency, as individuals are social and interdependent. The observations and analyses of socioeconomic stability, dynamics and development consist of major themes, from classical sociology to political economy. Durkheim pointed to technological progress and associated division of labour as fundamental factors for social change, instability and development, whilst Marx asserted that the capitalist system is intrinsically unstable due to the unavoidable conflicts between the capitalist class and the proletariats. The long identified destabilising factors, such as high chronic unemployment and inequality, fed into a social system where the economic system can be defined as its subset. From this point of view, Arab countries have been intrinsically unstable over recent decades and the Arab Spring was an inevitable consequence of structural socioeconomic instability, which cannot necessarily be monitored by macroeconomic variables.

These two views on the stability of a society take opposite positions. For analysts who share the concept of macroeconomic stability,

a society's socio-political situation must first be resolved to improve its macroeconomic situation. For analysts who share the concept of socioeconomic stability, a society's macroeconomic situation must first be resolved for a stable socio-political transition to occur. These two opposing views give rise to a question: What could be the missing links between the pre-2011 macroeconomic stability and post-2011 socioeconomic instabilities? To be more precise, the question can be revised as 'How could the two views on "stability" be reconciled so that economists adhering to the neoclassical school could have raised the alarm?' Elaborating seemingly missing links can be important to explore new policy options at a time of mounting challenges for democratic transitions, now and in the future. With these questions in mind, this chapter aims at presenting one of those possible missing links, that is, the link between monetary policy regimes and socioeconomic stability. Monetary policy and its policy regime are not considered important in the discussion on economic policy and the Arab Spring. Most of the literature focuses on the failures of fiscal policies and governance in Arab countries. This chapter attempts to shed light on the area not sufficiently investigated in this field by taking examples of three Arab countries in transition (ACT), namely, Egypt, Jordan and Tunisia.¹

2. Monetary policy and inequality

Despite the standard description in macroeconomics textbook on its impacts on the output level and employment, the scope of monetary policy is much more limited in practice. In principle, monetary authorities' policy targets are summarised as: (1) price stability and (2) stability of financial system. Typically, in developed countries, the argument over monetary policy is whether it leans towards 'pro-growth' or 'anti-inflation'. In recent decades, the general consensus has been that monetary policy is basically 'anti-inflation', and when expansionary monetary policies are pursued, they should not result in inflationary pressures. Thus, monetary authorities today are considered 'conservative'. Even in developing countries, monetary policies have been constrained by influential and conservative policy advice or prescriptions from international financial institutions such as the IMF. Consequently, the scope of recent monetary policy has become limited. A member of the Executive Board of the European Central Bank (ECB) characterised the role of central banks as follows: to ensure price stability in the medium term, by which it focuses on income and wealth stabilisation rather than on the allocation of economic resources or on redistribution – in other words, the

central bank's monetary policy is focused on stability rather than on efficiency or equity. This member, Benoît Cœuré (2012), insisted that price stability appears to be conducive to economic growth, low unemployment and subdued income volatility. In other words, price stability and economic stability are complementary. Given this limited scope, monetary authorities are reluctant to examine how their direct policy options impact inequality and poverty. Their approach to these major sources of socioeconomic instability is to support price stability, which is conducive to economic stability and hence contributes to a wider concept of socioeconomic stability. This self-declared limitation in policy scope provides monetary authorities with the leeway to be 'innocent bystanders' on increasing inequality, despite mounting criticism (particularly from the US) with regard to the deteriorating employment and income equality after the global financial crisis (Coibion et al., 2012).

Nevertheless, recent research gives rise to monetary policy's impact on inequality in terms of functional distribution of income. In the neoclassical framework, however, the theoretical link, which suggests that monetary policy and income inequality are linked, is not decisive as it depends on the structure of an economy. Romer and Romer (1998) posit a short-term improvement in income inequality as a result of monetary expansion, as the latter raises output and hence reduces unemployment; however, monetary policy cannot sustain its positive income effect, as it raises inflation rates in parallel to the growth in money stock. The subsequent monetary tightening harshly impacts the poor segment of society, assuming that inflation affects poorer households to a larger degree. Coibion and colleagues (2012) pointed to several channels: (1) income composition channel – which affects the functional distribution of income between labour income and other sources of income (at times summarised as 'capital income') and may include an expansionary monetary policy that more likely raises capital income more than labour income; (2) low-income households are more prone to suffer from inflation as they are likely to hold more cash (rather than financial assets), thus an expansionary monetary policy followed by inflation would represent a transfer from low-income households towards high-income households, which would tend to increase income and consumption inequality.

Due to the lack of data, it is difficult to be precise as to how the monetary policies of Egypt, Jordan and Tunisia have impacted the functional distribution of income. However, the available data implies a stagnant real wage growth in comparison with per capita real GDP growth (Table 5.1) with the exception of public sector wages in Egypt.

Table 5.1 Average annual growth of real wage and per capita real GDP

	Real wage private sector	Real wage public sector	Per capita real GDP
Egypt (2001–2010)	0.3%	4.4%	3.1%
Jordan (2000–2010)	1.8%	1.1%	3.7%
Tunisia (1999–2007)	1.6%		3.9%

Source: The author's calculation base on the data from: CAPMAS (Egypt); Department of Statistics (Jordan); Tunisia Institute of Statistics (Tunisia).

Table 5.1 also indicates that non-wage growth could be faster if the value-added of the respective economies (represented by per capita GDP) was wholly distributed between wage income and non-wage income. However, the stagnant real wage growth, as well as the high unemployment rates of Egypt, Jordan and Tunisia, can be the result of intertwined socioeconomic factors, not monetary policy alone (see Figure 5.2).

Before the present day's rather limited scope of monetary policy became the mainstream, as advocated by, amongst others, Milton Friedman (1968), monetary authorities had wider policy scope for their goals, including the targeting of the unemployment rate. In a neoclassical framework which underlies the present day's monetary policy, interest rates are understood as clearing prices, where the demand and supply of funds should meet at 'equilibrium'. Present-day monetary authorities take a minimalist approach by which they focus on price stability and the stability of the financial sector. In this approach, the role of policy interest rates has been reduced to an instrument that influences only the price level. However, the pre-1970 policy scope was based on the tradition of classical framework represented by Keynes (1936/2008), and the pre-1970 policy interest rate was saddled with more policy implications, including distributional aspects between three social groups: the entrepreneur, the rentier and workers. Keynes characterises the rentier as a 'functionless investor' who lives on the interest income of monetary assets. As opposed to the entrepreneur, who actually invests in productive facility to increase outputs, the rentier's interest is to maximise the return on holding monetary assets without involving any productive activities. While the rentier prefers a higher interest rate for his/her monetary assets, the entrepreneur prefers a lower interest rate for his/her borrowing. What is implied by Keynes by the term 'social interest rate' is that markets cannot determine the optimal level of interest rate, to increase output through productive investment

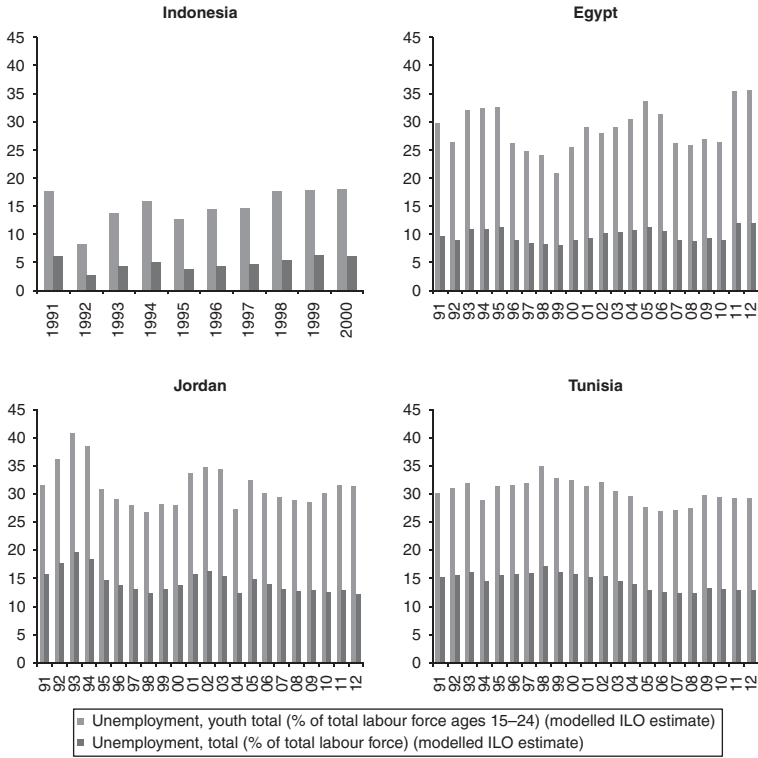


Figure 5.2 Unemployment rate leading to social unrest
 Source: World development indicators, World Bank.

to achieve full employment. Thus, one of the roles of monetary authorities in this framework is to maintain a socially optimal interest rate in order to support the entrepreneur against the rentier.²

However, the rentier, in Keynes' sense, may not be a term appropriate in Arab countries. Inflation-adjusted yield on deposits has been lower than average real wage growth in Egypt, Jordan and Tunisia (Table 5.2). A different picture can only be derived if we assume a high proportion of foreign deposit holders. Then inflation-adjusted yield for foreign deposit holders would become attractive, with the exception of Tunisia's case. Assuming that 'external rentiers' reside in the US, they would receive a much higher yield on their Egyptian deposits and a moderately higher yield on Jordanian deposits (Table 5.2). This scenario was feasible, as both countries' capital accounts were liberalised in the late 1990s and

Table 5.2 Inflation-adjusted yield on deposits (average per annum)

	For nationals	For foreign investors (US)
Egypt (2001–2010)	–1.6%	2.3%
Egypt (2003–2010)	–3.5%	4.7%
Jordan (2000–2010)	0.1%	1.8%
Tunisia (1999–2007)	0.4%	–0.1%

Source: The author's calculation based on IMF, International Financial Statistics.

both Egypt and Jordan experienced real appreciation of their national currencies since 2003 (Figure 5.3). Considering an external social group in the distribution aspect of monetary policy requires examining a wider aspect of monetary policy characteristics, including the exchange-rate policy, which is known as the monetary (policy) regime.

3. Monetary regime

Most monetary authorities conduct monetary policy under a framework, which is known as a 'monetary regime' or 'monetary policy regime'. This framework provides a principle of policy decision-making or a rule of discretion. It is a pledge made public by monetary authorities, by which the authority can communicate with stakeholders, including the general public. According to Mishkin (1999), the basic monetary regimes are: (1) exchange-rate targeting; (2) monetary targeting; (3) inflation targeting; and (4) monetary policy with an implicit, but not an explicit, nominal anchor. Nominal anchor is a particular nominal variable that a monetary authority attempts to stabilise in the belief that it determines price stability through its economic linkages, ties down inflation expectations and establishes policy credibility (in the sense of pegging the national currency to the dollar). Repeatedly emphasised in mainstream monetary authorities' doctrine is that authorities should avoid overly expansionary monetary policy by more effectively limiting related political pressures.

According to a departmental publication of International Monetary Fund (Gray et al., 2013), exchange-rate targeting constitutes the monetary regime of choice in the majority of Arab countries (the exchange rate is nominally anchored against the dollar). The classification of

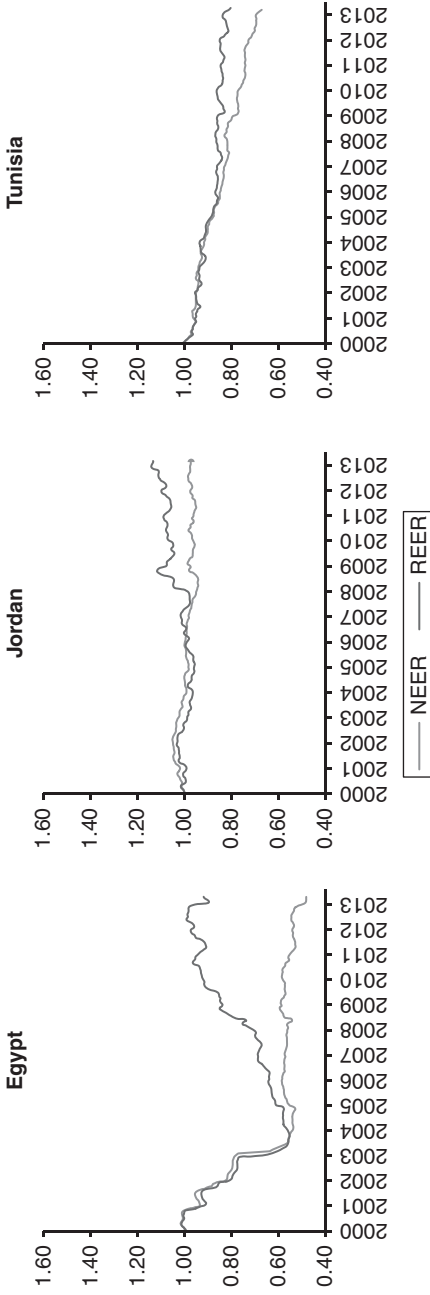


Figure 5.3 Real and nominal effective exchange rates
Source: Author's estimation.

monetary regimes, based on IMF's annual report on exchange arrangements and exchange restrictions, which was issued in April 2011, shows that, immediately before the Arab Spring, with the exception of Egypt, Mauritania, Somalia and Yemen, monetary authorities of Arab countries explicitly stated the exchange rate to be the nominal anchor (Gray et al., 2013, p. 7).

Exchange-rate targeting may limit the scope of monetary policy, which is known as 'impossibility trinity theorem'. According to this theorem, in a fully liberalised system including full convertibility on the external account and capital accounts, the monetary authority cannot guarantee the maintenance of both domestically framed (independent) and externally framed (exchange-rate target) monetary policies. However, the rationale behind developing countries' adoption of exchange-rate targeting is that the external accounts, particularly the capital account, are not yet fully liberalised. Therefore, capital would not follow between countries as the Impossibility Trinity Theorem indicates. Moreover, in many small and open economies, policies in practice may attempt to straddle a domestic and an external target, particularly those facing rapid pass-through from exchange-rate movements to domestic inflation.

Even if justified, two problems remain with the exchange-rate-targeting monetary regime: (1) inflation cycle/trend does not coincide with that of anchor country (with a US-dollar peg), therefore, a monetary authority needs to implement a contradictory policy (an expansionary policy when there are domestic inflationary pressures or a tightening policy when there are no domestic inflationary pressures); and (2) foreign reserves become a key variable which cannot be controlled by monetary policy alone. Nevertheless, exchange-rate targeting is often taken as a transitional measure until full-fledged inflation targeting with a more flexible foreign exchange has been achieved. Inflation targeting is believed to be unsuitable when a monetary authority's operational capacity is not sufficient, wage and price levels are externally determined, political support is inadequate, and when there is a lack of market infrastructure to manage a relevant magnitude of flexibility in foreign exchange markets (Gray et al., 2013).

Egypt's monetary authority, the Central Bank of Egypt (CBE), officially abandoned exchange-rate targeting in 2003, and has been transiting into a full-fledged inflation-targeting regime, while officially stating price stability to be 'the primary and overriding objective'. However, according to Selim (2012), empirical studies found that CBE is systematically reacting to changes in the exchange rate, despite its series of reform

to pave the way for full-fledged inflation targeting. In fact, a nominal effective exchange rate (NEER) shows rate stability since the devaluation of Egyptian pounds in 2003 (Figure 5.3). It can be understood that there could be an implicit exchange-rate anchor with an undisclosed weights of currency basket. Due to its chronically higher inflation rate, compared to Egypt's trade partners, the real effective exchange rate has been rising in the same period (Figure 5.3). It has been suggested that the Egyptian currency, the Egyptian pound (EGP) was overvalued. Egypt was known to have liberalised the convertibility of national currency in both current and capital accounts since the late 1990s (Nsouli and Rached, 1998).

Jordan's monetary regime can be characterised by clear exchange-rate targeting, with a long-established peg against the US dollar. Its monetary policy highly parallels that of its anchor country, the US. Nevertheless, the Central Bank of Jordan (CBJ) puts price stability as an overriding policy goal. For example, the CBJ has lowered policy interest rates during the period of August 2013 to January 2014 as recovery in foreign reserves set in, due to financial aid from GCC countries. However, the CBJ's announcement cited 'receding inflationary pressures' as the reason for its policy decisions. Jordan was known to have extensively liberalised the convertibility of Jordanian dinar (JOD) in both current and capital accounts since the 1990s (Nsouli and Rached, 1998).

After a series of reforms, the monetary authority of Tunisia, the Central Bank of Tunisia (BCT) stated the main 'assignment' of the monetary policy to be that of preserving price stability. Despite *de jure* changes in monetary regimes and exchange-rate arrangements (a crawling peg until December 2004; a managed float for 2005 till 2007; and a crawling peg with a monetary aggregate target since 2007), the *de facto* behaviour was characterised as implicit exchange-rate targeting by pegging the Tunisian dinar (TND) to a basket with a secret composition. BCT intervened frequently in foreign exchange markets in a discrete manner (Charfi, 2013). Compared to Egypt and Jordan, where both current and capital accounts transactions were highly liberalised, Tunisia only lifted restrictions on TND's convertibility in current account transactions; its capital account is still restricted.

4. Nature of inflation and balance-of-payments structure

In developed countries, their monetary transmission mechanism from monetary policy variables (such as policy interest rates and base money) to the growth of broad money stock and to inflation rate is relatively clear. On the contrary, it is not so clear in developing countries. Among

Arab countries, several studies have found money growth to be a major determinant of inflation rate in GCC countries (DIFC, 2009; Abul Basher and Elsamadisy, 2012). Moreover, a recent Economic and Social Commission for Western Asia (ESCWA) study found a weak transmission of money growth to inflation rate in Jordan and Egypt (UN-ESCWA, 2011) during the period 2000 to 2010. The growth in money stock has had a lesser impact on inflation than international food prices as both Egypt and Jordan are net importers of food items, including flour and wheat.

However, growth of money stock is not directly controlled by monetary authorities, as it reflects commercial banks' lending portfolios, the structure of borrowers and foreign capital flows. In underliberalised capital accounts particularly, foreign capital flow is more likely to cause money stock growth. With an exchange-rate-targeting monetary regime, money stock growth is more likely to be driven by the amount of foreign reserves; there is a correlation between foreign reserves and money growth, as the scope of sterilisation measures are usually limited. Figure 5.4 shows a general correlation of foreign reserves and broad money growth in Egypt, Jordan and Tunisia. The direct link between foreign reserves and policy decisions were seen in Egypt and Jordan in 2013, as both countries needed to wait for the recovery of foreign reserves before cutting policy interest rates over three stages.

Although foreign reserves exhibit the state of the monetary authority's finance, such reserves cannot be controlled by the monetary authority. Theoretically, a monetary authority can convert part of the foreign assets to domestic assets (usually domestic government bonds), which is similar to the quantitative easing (QE) policy of Japan, the US and the UK at present. However, active adjustment of asset composition is rare in developing countries, as it is perceived as proof of weak fiscal discipline under chronic fiscal deficits – the net implication of monetary authorities' purchase of domestic government bonds could be crowding-out rather than crowding-in. Moreover, in traditional sterilisation policy, in response to an influx of foreign capital (which results in the increase in foreign reserves in a fixed exchange-rate arrangement) government bonds will be sold to commercial banks to absorb the resultant excess money growth. In practice, sterilisation upon capital inflows is difficult. Thus, a rapid accumulation of foreign reserves leads to money expansion and inflation. As opposed to this, the monetary authority cannot increase foreign reserves directly when the latter depletes – it may absorb foreign assets that commercial banks hold but, at such a time, commercial banks will not sell foreign assets at an official exchange rate. What the monetary authority can do is to indirectly control domestic demand, the amount of import, mainly, and demand for foreign exchange.

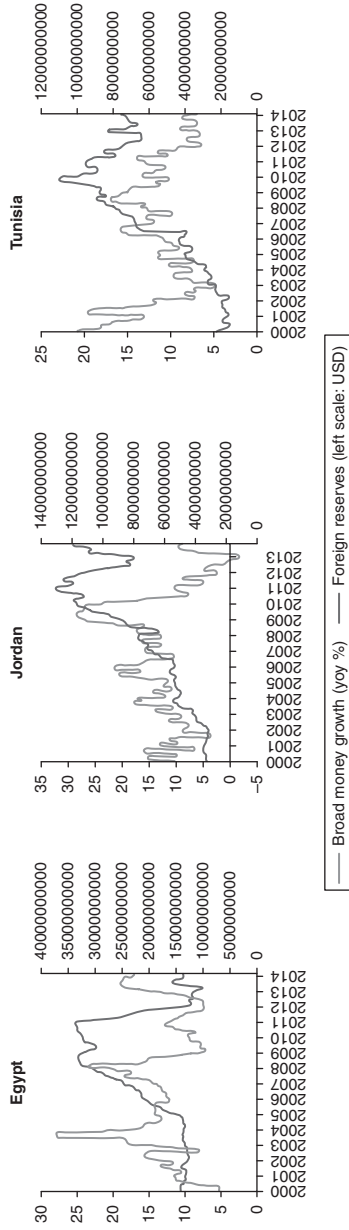


Figure 5.4 Foreign reserves and money stock growth
Source: International Financial Statistics, IMF.

Thus, under the exchange-rate-targeting monetary regime (a strict sense of this regime is the fixed exchange-rate arrangement), during times of rapid foreign reserve increase, the monetary authority will respond by relaxing monetary policy to increase demand for foreign exchange and imports, and, during times of foreign reserves depletion, the monetary authority will shift to tight monetary policy to decrease demand for foreign exchange and imports. This is typically the case when a country has chronic trade balance deficits in goods which are usually financed by the service trade (transport and tourism), income current transfer (income flows, foreign aid and workers' remittances), capital transfer and investment inflow. The monetary authority of an economy with such a balance-of-payments structure does not have much influence to control this inflow of funds to finance trade balance deficits in goods – they are all fundamentally foreign-driven. Monetary policy in this case tends to be used to balance the total external account to react against external shocks (either positive or negative). As a general trend for the last 20 years, Egypt, Jordan and Tunisia have shared this tendency (Figures 5.5, 5.6 and 5.7).

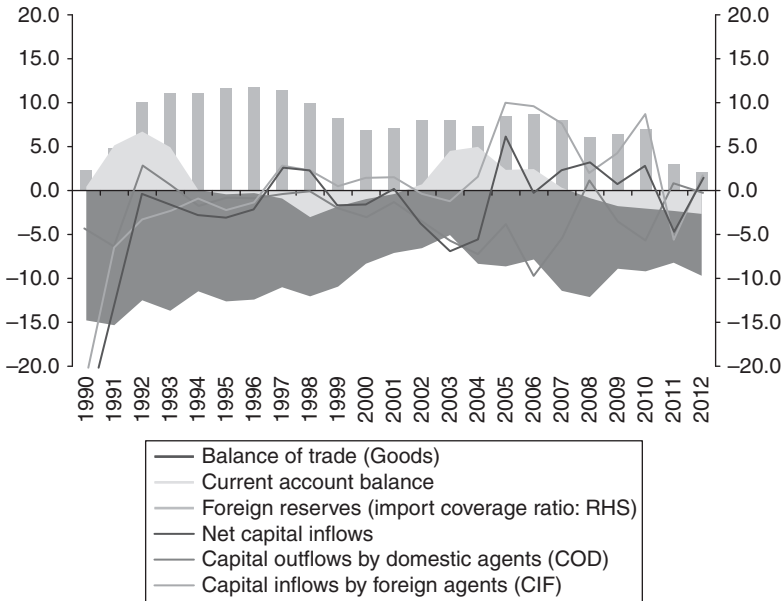


Figure 5.5 Balance-of-payments structure: Egypt (% of GDP)

Source: Monthly Statistical Bulletin, Central Bank of Egypt, various issues.

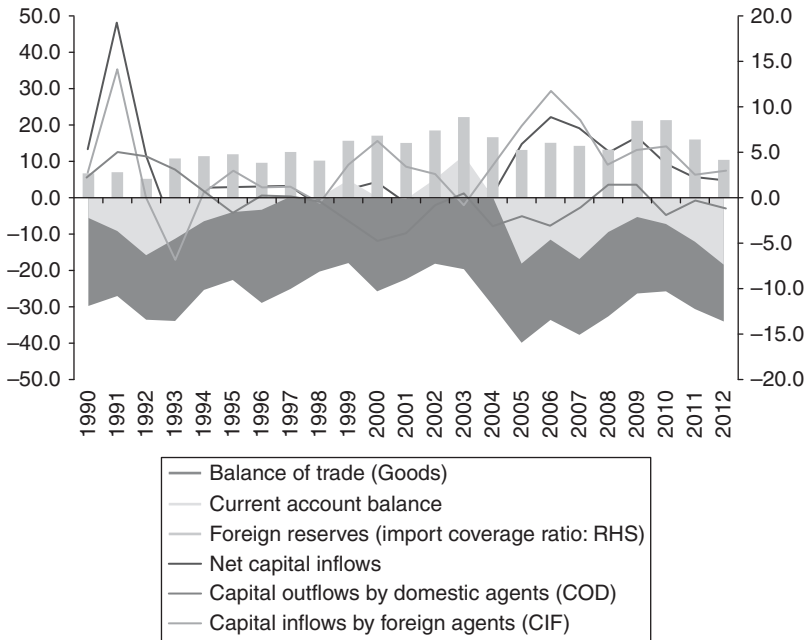


Figure 5.6 Balance-of-payments structure: Jordan (% of GDP)

Source: Monthly Statistical Bulletin: Central Bank of Jordan, various issues.

In summary, the combination of an exchange-rate-targeting monetary regime, liberalised external accounts (both current and capital) and chronic trade balance deficits reduces the latitude of monetary policy. Monetary policy becomes residual to adjust the demand for imports and foreign exchange (inflation is rather imported from abroad) in order to either anchor country or international commodity prices. Having the exchange-rate-targeting monetary regime – and stabilising nominal exchange rate against an anchor country – may cause real appreciation, but this only benefits the ‘external rentiers’ at the cost of domestic entrepreneur, who could have increased the outputs and employment which Arab countries desperately need.

5. Conclusion

Arab countries need to establish more policy sovereignty, particularly in the area of monetary policy. The latitude of monetary policy is externally constrained with the adoption of exchange-rate targeting under a

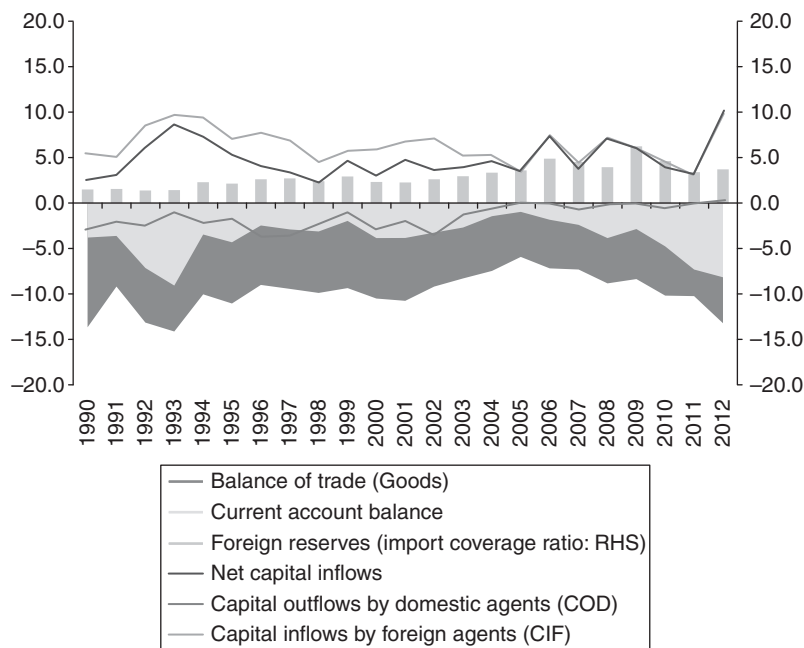


Figure 5.7 Balance-of-payments structure: Tunisia (% of GDP)

Source: Banque Centrale de Tunisie.

balance-of-payments constraint and a structurally weak trade balance. The explicit/implicit nominal policy target is the exchange rate, which necessitates the holding of a certain amount of foreign reserves and which may limit the scope of monetary policy and lead to high funding costs for the domestic entrepreneur, who could potentially be a major driver for employment creation. The link between the monetary authority and the domestic entrepreneur might be weak, but it might still be important when one examines what monetary authorities can do (or could have done) to support socioeconomic stability through employment creation. Monetary authorities of Arab countries need to consider expanding their policy scope, while paying equal attention to the issue of high unemployment. Also, they need to assist domestic export-oriented entrepreneurs and balance their policy of seeking appropriate inflows of foreign funds. However, the dependency on foreign funds inflows, or the reliance on the 'external rentier', must be corrected. The construction of a relevant monetary regime should be an important aim for Arab countries, so as to achieve structural socioeconomic stability.

Notes

1. ACT is the term used in the 'Deauville Partnership with Arab Countries in Transition', which is an international effort launched by the G8 to support countries in the AW engaged in transitions towards 'free, democratic and tolerant societies'. <http://www.state.gov/e/eb/ecosum/2012g8/deauville/>.
2. According to Keynes (1936/2008), the competing relationship between the entrepreneur and the rentier would continue until the growing economy reaches a point where capital is no longer scarce. At this point, the rentier no longer can receive a 'bonus'. This is what Keynes called the 'Euthanasia of the Rentier'.

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