While every country has a different economy, the macroeconomic goals are universal. Thus, the state of Qatar’s economy can be determined by looking at four of the five macroeconomic goals: full employment, low stable rates of inflation, economic growth, and economic development.

Unemployment:

As of December 2017, the standing unemployment rate in Qatar is 0.1% (“Qatar Unemployment Rate”). While this number is astonishingly low, it doesn’t reveal a lot about the economy of Qatar. To decide what that really says about the economy, we have to consider what type of unemployment is most common in Qatar. Of the 0.1% of people in the labor force that are unemployed, most of them are unemployed due to lack of job opportunities or lack of experience (“Unemployed Qataris Cite Lack of Job Opportunities”). In other words, the most prevalent type of unemployment in Qatar is structural unemployment, which falls under equilibrium unemployment. This may be due to Qatar’s willingness to use artificial intelligence in the workplace (“Middle East Consumers Ready to Embrace AI and Robots for Their Healthcare Needs”). The Qatari government is already trying to implement artificial intelligence to replace human doctors. The equilibrium unemployment results in the unemployment of \((Q_1 - Q_2)\) workers, which is the difference between the total labor force (TLF) and the aggregate supply of workers (ASL). Seeing that the total labor force of Qatar consists of 1,974,368 workers and only 197,437 of them unemployed, the unemployment rate is relatively low and that is depicted by the small difference between the aggregate supply of labor (ASL curve) and the total labor force (TLF) (“Qatar – Labor Force, Total”). Since the main type of unemployment in Qatar is structural unemployment, this means that disequilibrium unemployment or, more specifically, cyclical unemployment is barely present. This is indicative of Qatar’s economic state, as it shows that the country is not amidst a recession. As a result of Qatar’s economic state, the aggregate demand for labor (ADL) is stable, because there is no reduction in demand for goods and services. While the very low unemployment in Qatar may seem like an advantage, it does come with some negative consequences. Firstly, when a country has very low unemployment, it reaches a point when every added job will not generate enough productivity to cover the costs (Hankin). Also, with the number of unemployed people being so low, there is a possibility for an inflation in wages. Because of the shortage in laborers, firms will have to compete for workers by offering higher wages. Currently, the government has several policies regarding unemployment in Qatar. First of all, the country is currently going through a process, which they call Qatarization. This process is aimed at making the labor force more flexible by educating and training Qatari citizens (“Qatarization”). Many companies, such as Qatar Gas, are involved in this process as they are sponsoring high-school graduates who are studying in local universities or in universities abroad. Qatar Gas is also providing summer internships for these students. This government policy will reduce the structural unemployment in Qatar, thus reducing the overall unemployment rates in Qatar. Developing a fully flexible workforce takes a long time, meaning that the costs the government will have to cover may result in loss of revenue on their part. To add on, currently, Qatar provides unemployment benefits for Qatari citizens.
only. This welfare system ensures that unemployment of the citizens doesn’t lead to other problems, such as poverty. Some may argue that having an effective welfare system like the one Qatar has may discourage the unemployed to find work and that it is just reducing government revenue. While this is true, Qatar has a very low unemployment rate to begin with, so that shouldn’t be a prominent issue. These two policies (Qatarization and unemployment benefits) may have a big impact on the expatriates of Qatar, who make up 90% of the work force (“Qatarization”). Many expatriates are at risk of losing their jobs when the process of Qatarization occurs. Also, the lack of unemployment benefits when they lose their jobs makes them more susceptible to experiencing other issues, such as poverty and low income.

**Low, Stable Rates of Inflation:**

Between January and April of 2018, Qatar’s inflation rate fluctuated between .9% and .1% (“Qatar Inflation Rate”). Qatar appears to be experiencing low and stable rates of inflation, meaning that it is in a good place with this macroeconomic goal. In the case of Qatar, what is causing the inflation is cost push inflation. After the blockade, when food supplies were cut from Qatar, the country had to come up with other methods of gaining their food supply and other imported items. Consequently, Qatar began importing goods from other countries, such as Turkey. Also, they began to increase the production of domestic goods. When the supply shock first happened, there was an inward shift in the short term aggregate supply curve from SRAS₁ to SRAS₂, because the costs of production were very high. This resulted in the average price levels to increase from P₁ to P₂. Over time, the SRAS curve shifted outward from SRAS₂ to SRAS₃, which is closer to where it was before, because of the government policies that surround this macroeconomic goal. This reduced the inflation rates, as price levels decreased from P₂ to P₁. Currently, the government has a plan called the 2030 vision (“Qatar National Vision 2030”). The economic aspect of this plan involves maintaining low inflation rates. The government is attempting to do so by assisting industries to become more cost-effective so that they can improve productivity. For example, right after the blockade, the Qatari government is began to subsidize many firms that provide locally produced goods, such as Baladna farms. Consequently, this resulted in lower inflation since the consumers are able to buy these goods at a lower price level. Although the government may lose a lot of revenue throughout this process, in the long run, the output generated by these local firms will outweigh the losses. To add on, if the government subsidizes too much, then that may lead to disinflation as the SRAS curve shifts outwards more than the SRAS₁ curve shown on the diagram. This is might lead to consequences such as falling wages and higher unemployment.

**Economic Development | Equity:**

One economic indicator of Qatar’s economic development is the GINI coefficient, which is a measurement of the inequality in the distribution of income. The most recent GINI index reported for Qatar was in 2007, where the country’s level of inequality stood at 41.1% (“GINI Index in Qatar”). More specifically, the top 10% of people owned 35.9% of the income, while the lowest 10% of people owned 1.3% of the income. This is represented on the Lorenz Curve, as Qatar’s distribution of income (Q₁) is not as equally distributed as the line of perfect equality (PE). Relative to other countries, the GINI of coefficient for Qatar is quite low, indicating a more equal distribution of income than most countries. Thus, Qatar is very close to reaching this macroeconomic goal. Currently, the country is attempting to reduce unemployment among Qataris through education and training. This will potentially reduce the inequality present in Qatar, as unemployment is a direct cause of inequality. However, the education and training planned is aimed at Qataris only. So, while this plan may reduce inequality among Qataris, it will not have a huge impact on the rest of the population. Especially if you consider the fact that Qataris make up only 12.1% of the population (Snoj). To add on, Qatar provides transfer payments and old age pensions only to Qataris, which closes
the disparity gap amongst the Qataris, however, it further widens the disparity gap between expatriates and Qataris. In order to address this problem, Qatar’s labor laws were amended in 2015 and again in 2017 in favor of the migrants by developing a labor salary protection system. One of the amendments included setting a minimum wage for workers, which will mostly benefit the lower class migrants. While this may initially reduce the level of inequality in Qatar, one downside is that it may result in real wage unemployment, thus defying the whole purpose of setting a minimum wage.

**Economic Growth:**

The economic growth rate between the year 2017 and 2018 was 1.8%. The main reason for economic growth in this country is the increase in aggregate demand. More specifically, the country heavily relies on the exports of oil, which shifts aggregate demand significantly from AD1 to AD2. Since the unemployment levels for labor is very low, then that might be an indication that the other factors of production have low unemployment. Therefore, it is reasonable to assume that the economy of Qatar is currently in the competitive or even the vertical range of the aggregate supply curve. The shift in AD is clearly associated with an increase in real GDP from Y1 to Y2. The current GDP of Qatar is 152.50 billion US Dollars (“Qatar GDP Growth Rate”). The current method of economic growth is clearly unsustainable and poses a lot of negative externalities (e.g. pollution). For that reason, the government of Qatar is attempting to diversify its economy towards non-energy sectors. The government is currently spending money on infrastructure, such as transportation, education, sports, healthcare, telecommunication, and hospitality. One prime example of this is Qatar Rail, which is the new transportation system that the government is investing in. This current government policy is really beneficial for Qatar, as it will ensure that Qatar is achieving economic growth in a sustainable manner. Along with that, unemployment rates will fall, because job opportunities will open up. On the other hand, there are negative consequences to economic growth that Qatar has to be aware of. First, economic growth is usually associated with an unequal distribution of income due to the “trickle-down effect.” Also, if economic growth only comes from demand, then that will result in inflation. In order to prevent this from happening, the government should assist the firms and different sectors in improving their productivity.

**Proposal to Improve Current State of Economic Development:**

Evidently, Qatar’s economy is in a really good state. The country is experiencing significant economic growth, it has low levels of unemployment, and low, stable rates of inflation. However, if there is one macroeconomic goal that needs the most improvement, it is the economic development. The best indicator for economic development in this case is the GINI coefficient, which stands at 41.1% for Qatar. While this number is really low compared to other countries, there is inequality nonetheless. Seeing that Qatar doesn’t have a tax system set in place, I propose that the Qatari government sets one in place immediately, as it is one of the easiest ways to redistribute income and become one step closer to equity. To be more specific, the government of Qatar should set in place a direct, progressive tax to gain revenue. The government will then use this money to redistribute income by directly providing the money to the lower 10% of the population. Thus, the disparity gap between the rich and the poor won’t be as big as it was before. However, we have to consider the consequences of this plan. When the government sets the tax in place, aggregate demand will decrease from AD1 to AD2, since the taxes will reduce consumer expenditure. Clearly, when aggregate demand decreases, the level of output of a country decreases, causing the rGDP to decrease from Y1 to Y2 and average price levels to decrease from P1 to P2. Also, the direct provision of money may decrease the incentive to work, allowing people to rely on the money they get from the government. Finally, the government loses revenue, since there is a cost to administering the tax. Despite all the negative consequences, the government should still proceed with setting the tax into place.
place, because the positives outweigh the negatives. Although aggregate demand may decrease in the beginning, in the long run, the net shift in aggregate demand will be positive. This is because Qatar is currently diversifying its economy, meaning that aggregate demand will increase due to government spending on infrastructure. To add on, the cost of administering the taxes is not a big issue, if the government prioritizes equity over their loss of revenue. However, if they are concerned with the extra costs that might be imposed on them, then they should know that in the long run, with the diversification of the economy, the costs will be covered by the increase in output. If the government is concerned about people taking advantage of the money they had provided them and use it as an excuse not to work, then the government can provide transfer payments instead so that they can be sure that the money is being used properly. The government currently does provide transfer payments, however, it only provides them to Qatari citizens. When my plan is implemented, the direct provision of money as well as the transfer payments will be made available for all lower class citizens, in order to ensure that the disparity gap decreases.

Reference:


