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12. The Economic Background and Consequences of the Gulf War¹

Alan Freeman

Five days after the US land offensive began, Christopher Huhne, business and economics editor of the *Independent on Sunday*, offered this candid account of its origins:

Wars, once they begin, are always fought for the most noble of motives, especially by democracies. It is necessary political persiflage to pretend that our aims in the Gulf are the defence of the territorial integrity of small nations, the better to ensure that aggression never happens again.

The reality is not so simple, as there is an economic motive too. The real economic interests of the developed world in ejecting Saddam Hussein from Kuwait are surely the decisive motive for the war.²

The view that economic or material forces lie behind war is commonplace. But war is not just the expression of an economic problem; it is an attempt to solve it by political means. What were the precise economic problems which gave rise to the Gulf War, and what did the conflict contribute to their solution?

This is not a framework for answering the question 'Was it worth it?' Those who measure lives in dollars can draw up their own balance sheets. Much more important is the following: if, as we hope to show, the war has not removed its own fundamental causes, but has on the contrary exacerbated them, then this war can only lead to more war.

It is our argument that a competitive economic system, ceaselessly and spontaneously, generates economic problems which it can solve by no other means than war, the highest form of competition. Moreover, in such a system, these economic problems are so deep and intractable that it cannot exist without solving them. If this is so, then in the nuclear age the present world economic order can lead only to its own destruction or the destruction of humanity. Therefore due attention to the material origins of this war is not an academic luxury; it is an overriding necessity.

The New Rise in World Poverty

It is a common illusion that the world is getting richer. Indeed Fukuyama's

famous article on The End of History⁵ has effectively transformed the idea of a new age of prosperity from a wish to a doctrine. The Reagan-Thatcher era is both portrayed and perceived as a time of growth, of wealth, of advance. A few problem areas, the odd famine here and there, a hole or two in the ozone layer, are seen as local exceptions, minor omissions, or problems of growth.

Even liberal dissenters have *tended* to accept this at face value. Take, for example, Paul Kennedy's *Rise and Fall of the Great Powers* which has opened an important debate in the US about the relation between its military strength and its decline in competitiveness, with striking parallels to the discussion among British liberals of the late 1870s. The following passage, not at all unrepresentative of the general framework, raises but the faintest of question marks over a vision of *general* prosperity:

If the rosy forecasts of the impact of computers, robotics, biotechnology and so on are correct — and if, in addition, forecasts of the success of a 'Green Revolution'* in parts of the Third World (with India and China becoming regular net exporters of grain) do turn out to be right — then the world as *a whole could be* a lot richer by the early twenty-first century. Even if technological progress is less dramatic, economic growth is likely to occur.³

The facts are not kind to this view. Because it is the commonsense view, and precisely because the facts run counter to it, this article uses the most *authoritative* possible figures to study the actual state of at least that part of the world economy organized by the market system.⁴ The data come from the IMF, OECD, the World Bank and the United Nations.

IMF data on growth in GDP per capita for the OECD economies, and for Africa, the Middle East and the rest of the Western Hemisphere, i.e. Latin and Central America and the Caribbean, show that world growth has in fact halved in the last thirty years. The annual average growth rate in per capita GDP was 2.6 per cent in the 1960s, 1.6 per cent in the 1970s and 1.3 per cent over 1980-88.

This slowdown is increasingly uneven. In Asia, GDP growth has accelerated;⁵ in the OECD countries it has declined from 3.6 per cent to 2.1 per cent; but in Africa, the Middle East and Latin America it has become *negative*. A process of absolute impoverishment has set in. The absolute decline in the period of this study was 14 per cent for Africa, 10 per cent for the Middle East and 7 per cent for Latin America and the Caribbean. By 1987, the Middle East had been rolled back to its 1970 level, losing a decade and a half of development. Even at its peak (in 1982) the average per capita GDP in this region was only 10.5 per cent of that of the industrialized countries. By 1988 it was 6.9 per cent.

These are only averages. In the Middle East the figures are differentiated because of the existence of oil-rich states such as Saudi Arabia, and in Asia by the existence of rapid-growth economies such as the Four Tigers (South Korea, Taiwan, Singapore and Hong Kong). But this only means that most of the world is worse off than the figures suggest. Whole countries have suffered falls

in living standards normally associated only with wartime. Uganda, Liberia and Zambia have suffered declines of over 40 per cent, Bolivia 30 per cent — and these are only examples.

The 'catching-up' delusion

How does this square with the widespread view, and IMF doctrine, that the metropolis is actually hastening the development of wealth, particularly amongst 'newly-industrializing countries' (NICs)? The figures are a salutary correction to this rose-tinted view from the West: A few relatively small Asian countries, the Four Tigers, have grown rapidly, financed by very large capital flows from outside — up to 50 per cent of their total investment. But the process of 'catching up' with the West, for all but five per cent of the world, has simply stopped.

This is illustrated by data collected by the United Nations Organization for Co-operation, Trade and Development (UNCTAD) for its 1989 survey. This data, which deal only with the market economies, divide the population of these economies into three categories:

- people living in countries which are gaining in GDP per capita compared with the OECD states;
- people living in countries where per capita GDP is increasing, but which are falling behind compared to the OECD states;
- people living in countries suffering an absolute decline in per capita GDP.

In the late sixties, the population of the 'catching-up' countries was 530 million, and that of the 'absolutely declining' countries was only 60 million. In the 1980s, this was reversed. The population in the 'catching-up' group, comprising 14 countries, was only 167 million and that of the 'absolutely declining' group, containing 59 countries, had increased tenfold to 774 million. The population of the 'falling behind' group had reached 1,492 million, that is, nearly half the population of the capitalist world.

These figures, too, are averages. They, too, understate world poverty, and in particular the extent of inequality which, by the 1980s, had reached its highest point ever. This includes the heyday of classical imperialism. Maddison states: 'In 1987 the gap between the poorest and richest was 36:1; in 1900 the spread was much smaller at 8:1.'¹⁶ In its 1989 World Economic Survey, the UN concluded that 'the gap between them [the poorest countries] and the richest was widening. Average per capita income in the industrial countries is about fifty times that of the least developed.'

World Bank studies show that in 1967 the gap in GDP per capita between the US, then the richest, and Rwanda, the poorest, was 82:1. By 1987 the gap between the US and Ethiopia was 130:1. The world is now twenty times more unequal than under Queen Victoria.

Capital investment and growth

Why are these countries not growing? Because they are not investing. This, the

third major conclusion to be drawn from the data, shows up clearly in figures for investment as a percentage of GDP.

African gross fixed capital formation fell as a percentage of GDP from 31.1 per cent in 1977 to 18.8 per cent in 1987. A decline in Middle Eastern fixed capital formation set in later in 1983, from a peak of 30.8 per cent. Only Asia has so far escaped this global decline, with a 1986 average of 25.1 per cent of GDP.

Investment decides the outcome of economic competition between blocks of capital organized by national states. In trade between an efficient and an inefficient economy, the less productive nation loses out. It can correct this only by control of trade or by becoming more efficient, which means investing in means of production. Indeed, countries such as South Korea have experienced investment inflows of up to 50 per cent of GDP, two or three times higher than anywhere else outside Japan.

Without investment, trade relations inevitably deteriorate. As Susan George records:

The IMF... measures the purchasing power of a basket of thirty commodities, excluding gold and oil, in terms of the manufactured goods that they can buy. Starting from 100 in 1957, the IMF index has risen above that index only twice, in 1973 and 1974. By 1985 the index had plummeted to the lowest level ever recorded — a dismal 66.

Even what was East Germany, one of the most industrialized of the former Eastern bloc countries, found that in a unified currency system with no protection for its industries, nearly half its industry was unable to compete.⁷ *International Business Week* in April 1991 estimated the cost of German unification over five years at US\$300-400 billion. If this is what a land of 17 million people needs to reach Western levels, what hope is there for the Third World in a 'free' market world economy?

The US and the World Economy Today

Investment has slowed for two reasons: there has been a general decline in the rate of growth of world capitalism; but, second, the flow of capital into the Third World that dominated the postwar period has now reversed. Capital is now flowing, on a larger and larger scale, from those who need it most to those who use it worst. Behind this lies a fundamental change in the relations between one country, the US, and the rest of the world. The world's greatest capitalist has become its greatest debtor.

To understand why this has happened, we need to re-examine the basis on which the US fuelled the postwar recovery. It emerged from World War II with a capital surplus and a commanding industrial lead. It therefore had no conflict between foreign investment and trade. It financed the postwar recovery of Japan and Western Germany, and reaped the benefits in trade.

In 1950 industrial productivity per worker in the US was three and a half times higher than in Germany.⁸ US capital, crossing the Atlantic or the Pacific, was recycled when US electrical plant, machine tools and a cornucopia of consumer goods were purchased with the borrowed money. In 1960, the US owned 59.1 per cent of all world foreign investment (the UK owned 24.5 per cent; Germany, one per cent),⁹ while its share in world exports of manufactured goods was three times that of Germany.

As the victor of World War II, it also got the franchise on most of its territories. By 1960 it had troops in 66 countries of the world. It provided the security umbrella for all world investment. 'Pax Americana' rested on a tripod whose legs were US industrial supremacy, US capital exports and US military supremacy. The US was simultaneously the world's workshop, financier and bailiff, just like Britain a hundred years before.

This is what has now changed. While the US devoted its vast surpluses to arms and foreign investment, the losers of World War II, forcibly shorn of imperial ambition, invested at home. Between 1955 and 1970, capital stock per head grew 38 per cent in the US, 87 per cent in Europe and 203 per cent in Japan. Japanese productivity grew 6-7 per cent faster and European productivity 4-5 per cent faster. In the early eighties, productivity grew 4.2 per cent per year in Europe, 5.6 per cent in Japan and 1.6 per cent in the US.¹⁰

The Reagan-Thatcher years made this worse. Domestic savings, that is, the funds for domestic investment, have remained around 30-35 per cent of GDP in Japan and have steeply risen for West Germany while they have sunk for the UK and the US. US gross domestic capital formation in 1989, at 14 per cent, rested at under half that of Japan at 32 per cent.

The most visible consequence was the dramatic deterioration of the United States' trading position. Its current account deficit soared in the eighties to the US\$150 billion per year mark. Underlying this deterioration lay a sharp reversal of its competitive position in nearly all sectors.

The result is that the OECD bloc has entered a new economic period in which: the US has ceased to be the world's capital *provider* and has instead become a major capital *importer*; and the OECD as a whole ceased, in 1979, to export capital to the third rest of the world and began borrowing on an increasing scale.

The first consequence has been the economic catastrophe which has afflicted the Third World. The debt crisis, provoked by high US interest rates, was followed by the IMF 'solution' which broke down Third World trade protection. Together the two sucked capital out of the Third World like a vacuum cleaner. Susan George explains what ensued:

For Latin America alone, new capital inflow (both aid and investment) came to under \$38 billion between 1982 and 1985, while it paid back \$144 billion in debt service. Net transfer from poor to rich: \$106 billion.

An Unstable Division of the World

A second consequence of US decline, and a second source of instability, is a new division of labour amongst the dominant Western powers. Japan and Germany now finance the US deficit. It was their unwillingness to continue on this basis which led to the 1987 stock market crash. This in turn exposed the real relation of forces. The US remains the undisputed territorial and military power of the imperialist world. It possesses a continental-scale economy. Most important of all, there is no power that could replace it. Japan and Germany had no choice but to accede to US demands to inflate the world economy out of the crash.

However, they did so in a manner which accelerated the underlying trend. The US demanded that Japan and Germany inflate their demand for US exports to reduce the deficit. They complied, however, not by buying consumer goods but with major investment programmes.

The unification of Germany raised a further spectre. It elevated Germany to the level of second largest imperialist power in the world, a power, moreover, with the hinterland of Eastern Europe at its feet and the industrial economies of Western Europe at its back. Moreover, in the short term it has resulted in a further squeeze on sources of capital as Western Germany devotes itself to the considerable task of swallowing up its now sadly disillusioned Eastern province.

Thus all the steps taken by the US to reverse the relative deterioration in its competitive and trading position, from the collapse of Bretton Woods onwards, failed to address the lack of investment in the domestic economy, and the inexorable rise of industrial competitors. On the contrary each such step exacerbated the underlying problem.

Two legs of the Pax Americana tripod have buckled. The weight now falls on the one remaining leg, military supremacy. The process which led to this is long term, cumulative and accelerating.

Against this economic background, the script for the Gulf War was not only already written but proofread, rehearsed and waiting only for the villain and an opening night. It served two decisive purposes for the US:

- * to inflict exemplary terror on a suitable Third World country; and
- * to reassert US hegemony over its chief rivals.

James Baker explained the issues from the US point of view in his 13 August speech to NATO:

"Since 1949, every American president has said that the Gulf is a vital US and Western interest and that we could not allow any hostile power to gain a stranglehold over its energy resources. Now Saddam Hussein poses just such a threat. Given the central importance of Gulf oil to the global economy, all of us share an interest in thwarting this dictator's ambitions. We all have a critical stake in this."¹¹

What was that stake? Christopher Huhne explains in the article we have already quoted:

The reason why Saddam Hussein could not be allowed to take Kuwait with impunity is simply that it would have left him in effective control of the world oil market. It was Iraq, remember, which pressed OPEC early last summer to set its target oil price at \$25 a barrel rather than the \$21 that was eventually agreed. If there had been no Western response to the invasion of Kuwait, Saddam could have enforced any price he liked.

The Costs and the Outcome of the War

It is tempting to paraphrase von Clausewitz and define this war as 'economics conducted by other means'. Its finances present a perfect image of their economic underpinning. The US forced the world to finance a war fought in its own interests.

Indeed, it has set a new business precedent: war as a profit-making enterprise. The *Economist* recorded that 'cash donations from allies could exceed America's extra-defence costs'.¹² According to Congressional Budget Office and Defense Budget Project estimates in mid-March, US direct war costs were expected to reach \$40-45 billion (bn). But the administration sought congressional authority to spend \$ 15bn plus \$53.5bn pledged secured from allies. Pledges exceeded costs by \$7-12bn.

The UK has not fared so well. Susan Willett of the Centre for Defence Studies¹³ estimates the UK cost of the war, from official sources, at around £4.3bn. Foreign contributions pledged to the UK amounted by early March to US\$2.8bn. This lower success rate with 'burden-sharing' simply reflects the relation of forces between the two Atlantic powers.

The vast bulk of the direct costs of the war have fallen on the Third World itself. Pledges to the US included US\$16.5bn from Saudi Arabia, US\$16bn from Kuwait, US\$1 bn from Japan and US\$7bn from Germany. US foreign reserves in January rose by \$15bn, up to \$87.4bn compared with \$64bn twelve months previously.¹⁴ During the same period, Saudi reserves shrank from \$15bn to \$8bn (in 1987 they stood at \$24bn). The shooting war, like the economic war which preceded it, was financed by the victims.

Indirect costs of the war

The indirect costs of the war illustrate this more clearly still. A recent report, commissioned by the major charities, has made an initial attempt at assessing the cost to the Third World.¹⁵ It estimates that:

at least 40 low and lower-middle income countries suffer an impact of more than 1 per cent of GNP; 16 of them over 2 per cent, including countries as distant from the Gulf as Jamaica and Paraguay. The Indian states of Kerala and Gujarat, with a population over 70 million, would join them if they were

separate countries. The total direct cost for low income countries is at least \$3.2 billion; when the lower-middle income countries are included, it is at least \$12 billion.

There are several reasons for this cost, which in terms of the GNP of the countries concerned is very high (a loss of 1 per cent of GNP is an established criterion for relief in the event of a natural disaster).

First, the Gulf region in general uses migrant workers on a large scale. For countries as far away as Sri Lanka, whose loss is estimated at 2.4 per cent of GNP, this is an important source of income. Jordan, which has borne the greatest relative costs, estimated at US\$1.8bn or 25 per cent of GNP, faced the return of 300,000 workers representing 10 per cent of the labour force. The Yemen faces total losses of US\$830 (million)m, 75 per cent of its exports, according to Overseas Development Institute figures, and US\$ 1.7bn according to its own figures. Saudi Arabia revoked Yemeni workers' traditional rights of residence in that country, with an estimated exodus of 800,000 by the end of November 1990 and loss of remittances of US\$400m per year.

The cost to the Palestinian people has been particularly disastrous. Welfare Association, the Geneva-based human rights organization, estimates that loss of remittances and trade cost the Occupied Territories US\$366m. The daily loss of income which the 24-hour curfew imposed on 304,000 Palestinian workers ran to US\$5.2m per day. Consumption of meat, dairy products and fresh vegetables is reported to have fallen 80 per cent in February.

It is by no means guaranteed, moreover, that this income will be retrieved. The Gulf states are not well-disposed to opening their frontiers to a politically hostile labour force. 'Thousands of would-be "guest workers" for Kuwait are laying siege to re-employment offices all over Turkey,' reported the *Independent* on 16 March. 'There has been a Kuwaiti request for huge numbers of Turkish guest workers to fill the gap left by Palestinians, Egyptians and Asians. Newspapers report that 70,000 Turks have applied so far.'

Oil and power in the new Gulf order

A more complex issue for the Third World, but very clear in its overall implications, is the course of oil prices. The rise during the crisis severely hit the non-oil-producing Third World countries. Though it benefited oil producers, it should not be forgotten that the Saudi share alone rose to 16 per cent of all oil production.

A return to low prices will ameliorate the non-producers' situation somewhat. But the decisive issue is the relative percentage of production and consumption in the West, the East and in the Third World. In 1989, these were as follows.¹⁶

Production Percentage

Middle East	26.3
Africa	9.3
Asia and Australasia	10.0
Latin America	11.3
Western Europe	6.2
North America	16.6
USSR and Eastern Europe	20.3

Consumption Percentage

North America	29.0
Western Europe	19.2
Asia and Pacific	19.8
USSR and Eastern Europe	16.7
Other	15.3

With world production now at around 54 million barrels per day, this means that every US\$1 fall in the price of oil transfers US\$14m per day, US\$5bn per year, to North America, a further US\$14m per day to Western Europe, and somewhere between US\$10bn and \$20m to Japan. If the US and Saudi Arabia succeed in keeping oil down below US\$20 per barrel, compared with the US\$25 the Iraqis were pushing for, the result will be a net difference in income transfers somewhere between US\$70bn and \$100bn per year from the South to the North.

Saudi Arabia's role in production of cheap oil has become absolutely transparent since the end of the war. The Saudi monarchy, producing 5.4bn barrels of oil per day before the war, increased production during the hostilities to 8.6bn barrels and plans to install extra capacity to produce up to 10bn barrels per day, nearly a fifth of the world's production, by the mid-1990s. The result will be that whatever other OPEC members may decide, it will be in Saudi Arabia's gift to determine the world price of oil. At the 11-13 March OPEC meeting this was already clear as the Saudis refused, in the middle of a world recession which has seen a 13-15 per cent fall in oil demand, to countenance an output reduction of more than 5 per cent. The same meeting confirmed Saudi Arabia's wartime production share on a permanent basis.

Just as decisive is the issue of capital movements. One of the most important shifts which the US aims to bring about is the disposal of Middle East petrodollars, the surplus revenues which Middle Eastern oil exports produce.

The Gulf monarchies have in the past used their oil surpluses not only to finance their lavish living styles but also as a source of largesse in Middle East politics. This includes finances to the PLO. The US seeks to guarantee that this surplus will in future be used to finance its own capital deficit and an apparatus of repression which can contain future sources of instability in the Gulf.

These two goals will be met for the time being by a simple means summed up in an *International Business Week* article entitled *To the victor go the rebuilding*

contracts'.¹⁷ Reporting initial estimates for US\$10-20bn of reconstruction work, it records:

Still-undisclosed agreements between the US and the exiled Kuwaiti government specify that US companies will get preference after the war, according to diplomatic sources. After a behind-the-scenes complaint from Washington, Kuwait even rescinded the choice last month of Britain's Crown Agents as a major player in the reconstruction. 'A very large percentage of contracts is going to American companies,* says Fahd al-Hasawi, the Kuwaiti Minister of State for Municipal Affairs in Jiddah, who heads up reconstruction planning. 'America is helping us with all its might and all its children.'

Estimates for the final Kuwait reconstruction bill vary between US\$20bn and US\$50bn over five years. The Saudi budget deficit is expected to reach US\$50bn in the next year alone.

Beyond reconstruction, a complete reorientation of the Gulf states' posture is going on. Any pretence at reduced arms sales was dropped with immodest haste on 9 March when the US administration informed Congress that it intends to sell US\$18bn in arms to Saudi Arabia, Egypt, Bahrain, the United Arab Emirates, and Turkey.

Prospects for Economic Recovery

Why did the latest of the century's 'war to end wars' end, a mere week after the cessation of hostilities, in a renewed arms race? For the simple reason that it has not solved the underlying problems.

First and foremost it has not solved the problems of the Third World, three-quarters of humanity. On the contrary, it has doomed them to another turn of the screw. But neither has it halted the motor force of the last decades* rise in world poverty and world tension, that is, the economic decline of the US.

To understand this one must measure the sums involved against the economic requirements of the United States itself. The US will probably receive direct inflows from reconstruction, arms sales and improved oil balances of somewhere between \$50bn and \$100bn. But this is less than *one-third* of its budget deficit and barely covers a year's trade deficit.

Even if the whole of the injection was spent on productive domestic investment, which it will not be, these sums of money simply do not add up to what is required. The US would have to invest a minimum of \$200bn per year to reach the average level of Western Europe and over \$700bn to reach that of Japan. At an average investment rate of less than 20 per cent of income, the income injection required to achieve this is truly colossal.

The basic problem is that the capital on the required scale can only, ultimately, be acquired from one or both of two sources: the opening of the

U.S.S.R to the world market system, or an attack on wages in the metropolis of the scale brought about by the victory of fascism in Germany. The political risks associated with either venture are huge, and success by no means certain.

The contradiction the US faces is exactly that which has reduced Britain from the workshop of the world to a tenth-rate industrial power. Each time it plays the military card, it diverts more of its accumulation fund to its operations abroad, to its military machine, to its financial speculators, and less to its own development. This in turn makes it all the more imperative to maintain its military status. US capital is mainlining militarism.

Unfortunately, this does not mean that in due course it will pack up and go away. These are extremely long-term processes. The UK's decline has taken two world wars and 120 years, and still it wages war halfway across the globe. Moreover the US possesses a continental economy with an enormous productive capacity. It is not ruled out that it can use Gulf War windfalls to hasten its recovery from the current recession, and it will certainly be able to shift most of the costs of the recession onto its rivals, as Britain *did* in the thirties.¹⁸

What must be understood is that this provides no *long-term* solution to the US's problems. It cannot address the fundamental problem of comparative underinvestment in the US domestic economy. What it does mean is that the US, the world's largest nuclear power, will become more militaristic, more committed to the use of force to resolve its problems, and more barbarous in its practices. It also means that it is only a matter of time before the US's rivals, above all Germany, begin building up military muscles in their own bid for a share of the world. In short, this is a process which threatens the very existence of the world.

This is not an automatic process. There is a choice. What we would argue is that it is an extremely *powerful* and material process which is hard to escape within the framework of a competitive system. Let us suppose, for example, that the powerful anti-militarist sentiment in Japan and above all Germany prevails and that these powers offer no challenge to US hegemonic aspirations. Three consequences follow: first, because it has no other option, the US would continue to exploit its hegemony ruthlessly to its own advantage; second, since the world economy is a competitive system, this would become an increasing, and ultimately preponderant factor in the economic life of these countries; and third, since the US cannot actually afford to run the entire world, movements of revolt in the Third World will at some point threaten, not just US interests but the foreign interests of Germany and Japan themselves. In short, such a policy is ultimately suicidal for the capitalists of those countries.

This is why, in our view, the only real hope for the world's future lies with the very forces which this economic war is calling into existence, forces against which the Gulf War was directed. It is impossible indefinitely to hold down, by main force and terrorism, the majority of the world's peoples. The US does *not* possess the capacity to police the world. It *cannot* indefinitely grind the peoples of the world into the dust without a fight. The North's economic war against the South is making the world less and less stable. The irony is that, at

least in the short term, this will make dictatorships of the Saddam Hussein type more prevalent, more predatory and more barbarous. The US needs client states to carry out its policing. The choice of such clients will not be determined by their democratic nature but by their military efficiency. This is the cause of the indecent haste to re-arm the Gulf states, the cynical disregard for democracy in Saudi Arabia or Kuwait themselves, and above all US patronage of Israel. This war has been a 'war to end war' which will bring yet more war in its wake, a 'war against dictatorship' which has fostered yet more dictatorship, a 'war for democracy' which is extinguishing democracy's flickering embers in the Gulf. It is a war which has solved nothing.

Notes

1. I would like to acknowledge substantial assistance, particularly with data sources, from the *Socialist Economic Bulletin* and from Susan Willett. Any errors in this chapter are of course my own.

2. *Independent on Sunday*, 20 January 1991.

3. P. Kennedy, *The Rise and Fall of the Great Powers*, London, Fontana, 1988.

4. See 'The rise in world poverty', *Socialist Economic Bulletin*, no. 3, which contains much of the material on which this chapter is based and provides detailed figures which, for reasons of space, we cannot reproduce in their entirety. It is available on subscription from Ken Livingstone, MP, House of Commons, Westminster, London SW1 OAA, England. Because the original study was conducted in 1989, it lacks the data for the last couple of years; however, more recent data only confirm the trends described here.

5. The category of Asia for these figures includes China, which improves the figures for the continent since China's growth in the eighties was the most rapid of any major country. Japan, however, is included in the category of OECD countries.

6. A. Maddison, *The World in the Twentieth Century*.

7. This was predicted by many German socialists, East and West. See, for example, Karl Georg Zinn, 'Die Konjunktur im Herbst 1990', in *Sozialismus*, September 1990 or Astrid Schwartz, 'Ein Marshallplan fuer die DDR?', *IPW Berichte*, no. 7, 1990. Estimates, by these and other authors, of a capital shortage of DM100 billion over ten years were rejected contemptuously by neoliberal West German economists at the time.

8. *The Times*, 26 September 1984.

9. H. Magdoff, *The Age of Imperialism*, New York, 1969, p. 55.

10. Harrison and Glyn, *Capitalism since World War II*, London, Fontana, 1984.

11. Quoted by Susan Willett, *Economic Implications of the Gulf Crisis*, London, Centre for Defence Studies, Kings College.

12. 'A nice little earner', *Economist*, 9-15 March 1991, p. 36.

13. S. Willett, op. cit.

14. *Economist*, op. cit.

15. *The Economic Impact of the Gulf Crisis on Third World Countries*, memorandum to the Foreign Affairs Select Committee, jointly submitted by CAFOD, Christian Aid, CIIR, OXFAM, Save the Children Fund and World Development Movement, March 1991.

16. *World Oil Trends*, 1989.

17. *International Business Week*, 18 February 1991, p. 20.

18. See, for example, the author's article "29, '87 and the rise and fall of US hegemony', *Capital and Class*, Spring 1988.