

touch of public relations bravado. Perhaps the short-term debt can be paid off but what of the longer-term debt climbing at compound interest rates? Maxwell's tragedy put simply is that which besets hundreds of corporations—national and transnational: the need for long-term financing at a moment when global capitalism has moved from relative stagnation to a deeper cyclical downswing.

Finance capital—and the Japanese banks are no exception—are guided by short-term considerations. Hence, in their time-perspective the bankers, awash with cash in the 1980s, were not imprudent in shovelling colossal sums into Maxwell to speed his acquisitions. In the first place, the banks never knew the extent of the empire's debt and the sheer complexity of the

web of holding companies. Banks moreover don't ask questions, when the cash flow is bountiful; and there was no need to ask questions. For them Maxwell was a lifeline. Mega mergers went hand in hand with mega debt which meant mega profits for the banks. The party can last only as long as the music plays.

More than 40 banks are exposed to Maxwell's debacle; merely four of the major UK clearing banks have exposures of more than £ 100 million. Where the formal restructuring—that enigmatic little notion—will lead to, no one knows, but the trajectory of what remains of the empire (and that applies no less so to Murdoch) will be traced by the big-moneymen for henceforth it is they who will dictate the agendas.

War, Sanctions and Human Well-Being in Iraq

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The safe disposal of Iraq's weapons of mass destruction, demanded by the cease-fire resolution, is a particularly legitimate concern (as is, indeed, the safe disposal of weapons of mass destruction everywhere). But it would be tragic if this concern unleashed the destructive power of another weapon of mass destruction—the effective withdrawal of food and other necessities from the Iraqi people.

FEW economists have taken an active professional interest in the issue of continuing sanctions against Iraq. This is odd, since this issue clearly belongs to the economic domain, and is a matter of life and death for millions of people in the affected country. The current debate on sanctions could certainly do with a little more concentration on a reasoned assessment of the facts. Too often, the argument stops at blaming one side or the other—the Security Council for linking humanitarian relief with political objectives, or Saddam Hussein for refusing to take advantage of recent provisions for the purchase of food and medicines.

The main objective of the recent fact-finding mission of the International Study Team on the Gulf Crisis (which included 87 experts in a wide range of fields from demography to child psychology) was to provide a comprehensive and scientifically credible assessment of the impact of war and sanctions on the civilian population of Iraq. As members of this team, we were able to carry out independent and unrestricted investigations in all parts of the country from August 27 to September 7, with the help of an interpreter of our own

choice. Our brief was to study the impact of the Gulf crisis on the Iraqi economy, with particular attention to the issue of hunger and poverty.

IMPACT OF GULF CRISIS ON CHILD MORTALITY

The International Study Team carried out a country-wide demographic survey of more than 9,000 randomly-selected households. The results of this survey indicate that, for the period January-August 1991, infant mortality in Iraq was as high as 81 per 1,000 live births. This is almost four times as high as the corresponding figure emerging from the same survey for the pre-crisis years. There are good reasons to believe that the pre-crisis figures are, in fact, on the low side, partly because they are based on a recall method. However, even the most conservative among available estimates of the pre-crisis mortality rate would imply that infant mortality has at least *doubled* this year compared with earlier years. Similar results hold for mortality among children aged under five.

These demographic findings are a telling indication of the hardships that have

been endured by the Iraqi population since the beginning of the Gulf crisis. It is worth adding that only a small part of this increase in mortality is attributable to the direct effects of bombings. Most of the children who died this year in Iraq were the victims of hunger, water contamination and disease.

EMPLOYMENT AND ECONOMIC ACTIVITY

The causes of increased mortality are, to a great extent, economic. More than a year of sanctions, war and internal conflicts have had a devastating impact on the economy of Iraq and the ability of the population to satisfy its basic needs. The termination of oil revenues has undermined the extensive involvement of the government in the economy through public employment, public subsidies, public infrastructure and public services. Private economic activity is greatly reduced by the lack of imported raw materials, spare parts, power supply, and infrastructural services. A bloated Informal sector, providing extremely low earnings, has become the main source of livelihood for millions of persons. The sustainability of this informal sector in the near future is threatened by the general erosion of purchasing power.

As a result of this economic crisis, real wages and private incomes in Iraq have fallen dramatically since August 1990. In terms of purchasing power over food, they have declined by a factor of 15 to 20 on average (i.e., to somewhere between 5 and 7 per cent of their initial levels). The driving force behind this decline has been the increase of prices, combined with the stagnation of employment and money wages. While the cost of the average pre-crisis food basket for a family of six increased from 66 dinars to more than 1,000 dinars between August 1990 and August 1991, money wages in most unskilled and semi-skilled occupations have stagnated within their initial range of 100-250 dinars. Real wages in Iraq are now among the lowest in the world. For instance, an unskilled labourer only earns the equivalent of about 2 kg of wheat (the main staple) per day.

PUBLIC SERVICES AND FOOD RATIONING

The sharp reduction of private incomes has been further aggravated by the decline of many basic public services, including health care, water supply and sewage. On this point, the report of the International Study Team confirms the alarming findings of many earlier investigations carried out since the Gulf war, including those of official UN missions led by Martti Ahtisaari in March and by Sadruddin Aga Khan in July.

In contrast with the general decline of public services, food distribution has considerably expanded since the beginning of the crisis. The public distribution of food was introduced in August 1990 in response to the economic embargo, and now plays an invaluable role in protecting the poorest sections of the population from starvation. A detailed household survey indicates that the food rationing system is remarkably comprehensive, equitable and efficient (except in localities not under the control of the government, notably in Kurdish areas). The common contention that hunger in Iraq is due to defective internal distribution has no factual basis.

This is not to say that Saddam Hussein is a soft-hearted do-gooder. Authoritarian rulers over the world, from Pinochet in Chile to Ershad in Bangladesh (not to forget the al-Sabah family in Kuwait), have frequently utilised food distribution as a way of defusing tensions and containing dissent. The political motives that may underlie food rationing in Iraq should not be overlooked, but they do not detract from the instrumental value of the public distribution system in averting a famine.

HUNGER AND POVERTY

The scope for public distribution is, unfortunately, severely restricted by the current embargo. While food sanctions were lifted last April, the ability of the government to import is limited due to the scarcity of foreign exchange (the scope for domestic procurement is itself very narrow). While food rations have increased since the war, even today they cover at best one half of minimum nutritional needs. The expansion of food distribution has provided inadequate compensation for the sharp decline of real incomes and public services. The overall ability of Iraqi households to nourish themselves adequately and to satisfy their basic needs remains sharply reduced.

In fact, even after taking into account the implicit value of food rations (at market prices), a majority of households in Iraq earn extremely low incomes in real terms. For instance, the earnings of unskilled labourers in Iraq, inclusive of income-in-kind through food rations, are roughly comparable to those of casual agricultural labourers in, say, India or Bangladesh. These low income levels force many Iraqi families to sell their assets in order to survive. With the gradual depletion of household assets, the incidence of hunger and poverty may well increase rather than decrease in the next few months.

The link between poverty and hunger in Iraq highlights the fact that the mere lifting of food sanctions is not sufficient to ensure adequate nutrition. 'Effective

sanctions' on food remain, due to the crippling effects of general sanctions on economic activity and employment, despite the formal exemption spelt out in Resolution 687 and the ready availability of food from neighbouring countries.

SANCTIONS AND ECONOMIC RECOVERY

While public distribution can avert famine, it cannot—on its own—form the basis of the economic transformation that is required to enable the population of Iraq to satisfy its basic needs. Achieving that objective crucially depends on the regeneration of general economic activity and employment.

Indeed, even in the unlikely event where substantial exemptions from the embargo on oil sales were made on humanitarian grounds (as proposed, on a very limited scale, in Resolution 706), and allowed the Iraqi government to expand public provisioning much beyond current levels, widespread deprivation would persist. Such exemptions might make it possible, for instance, to increase food rations to levels that cover minimum calorie requirements. However, adequate nutrition, good health and decent human living are not just a question of staple-food intake, but also one of adequate health care, clothing, fuel, shelter, etc

Economic activity and employment are indispensable means of generating the ability to acquire these complementary ingredients of basic living. This is so not only because many of the commodities concerned are typically acquired from private incomes, but also because effective public provisioning itself often depends crucially on the availability of inputs that are the product of general economic activity. A hospital full of imported drugs, for instance is of little use without electricity, water supply, telephones, vehicles, air-conditioning, stationery, typewriters, and many other items. Public provisioning without economic regeneration can only transform Iraq into a vast refugee camp.

The regeneration of the economy would be impossible in the absence of some resumption of international trade. Indeed, pervasive linkages connect almost every part of the Iraqi economy with international trade. Imported raw materials and spare parts are crucial inputs in many sectors (from agriculture to most types of manufacturing). The supply of consumer goods, which give money wages their real value, depends overwhelmingly either on the processing of imported products (food, textiles, construction materials, etc), or on direct imports. Even earnings from domestic labour services in the 'informal sector' largely derive from the purchasing power generated in sectors

more closely linked with international trade. In the absence of international trade, economic activity stagnates at extremely low levels—especially when the effects of sanctions are compounded by war-related destruction.

War and prolonged sanctions have caused such comprehensive damage to the Iraqi economy that it is impossible to maintain these sanctions in their present form without perpetuating, and perhaps even accentuating, the state of acute poverty in which a large part of the population is now plunged. The debate about sanctions cannot ignore this simple truth.'

CONCLUDING COMMENTS

Perhaps the issue of sanctions goes beyond the basic considerations of this economic study. The force of that view, however, depends on what one accepts as the 'humanitarian needs' of the people of Iraq. If their essential needs are deemed to consist only of staple food, as with farm animals, then it may be possible to argue that these needs can be met through *ad hoc* relief measures financed by a small exemption from the ban on oil exports (as proposed in Resolution 706), while the general paralysis of the economy continues to deprive millions of their ordinary means of living. But if the Iraqi people are considered to have an inalienable right to the necessities of life in a broader sense—including not only food but also clean water, health care, shelter, education, clothing, etc—then it would be hard to reconcile the protection of this right with the continuation of the embargo in its present form. If humanitarian needs are those defined by our basic rights as human beings, they do go much beyond what the Iraqi economy can deliver as things stand.

The implementation of the cease-fire resolution, which officially motivates the continuation of sanctions against Iraq, is a serious issue. The safe disposal of Iraq's weapons of mass destruction, demanded by this resolution, is a particularly legitimate concern (as is, indeed, the safe disposal of weapons of mass destruction everywhere). But it would be tragic if this concern unleashed the destructive power of another weapon of mass destruction—the effective withdrawal of food and other necessities from the Iraqi people.

* At the time of 'riling, no agreement has been reached with the government of Iraq concerning the implementation of Resolution 706 (which allows Iraq limited oil sales for the purpose of importing humanitarian supplies under strict UN supervision) It is important not only to resolve this impasse, but also to go much beyond the extremely narrow exemption embodied in this resolution.