THE POLITICAL ECONOMY OF THE PLANNED U.S.-WAR AGAINST IRAQ

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Introduction

Below I propose to discuss the political economy of the planned US-war against Iraq, which means: the implications for the world economy of a *possible,* full scale third Gulf war (1). To start let me be very clear that I am convinced such a war is not defendable at all. When the United States and other imperialist nations in 1991 attacked Iraq, they could label country's ruler Saddam Hussain, who had staged an occupation of Iraq's small neighbor Kuwait, as aggressor. Today, no comparable circumstances exist that even remotely could form the official justification for the launching of war against Iraq. In fact, the United States hyperpower has meanwhile formulated a doctrine stating that it will attack other nations not in consequence of proven aggression, but on the basis of suspicions. It thus has officially arrogated the 'right' to act as an aggressor. Moreover, it has even stated that it may consider using *nuclear* arms as a part of a 'preventive' war!

Further, let it also be stated clearly at the outset that many states considered to be part of the 'international community', as of the middle of August have openly expressed they are against the planned war. To start, the major Arab states in the Middle East, including Iraq's former enemy Iran, have stated they are opposed. Saudi Arabia, which used to be one of the staunchest allies of the US in the Middle East, and which in 1991 had offered territorial and financial support towards a massive attack with ground troops against Iraq, says it will not provide the opportunity to launch war from its soil this time. Most European countries, including France and Germany, have expressed opposition and said they will not cooperate. They thus refuse to see the planned war as a legitimate part of the crusade against 'terrorism'. Again, UN General Secretary-General Kofi Annan is known to defer, and has been trying his utmost to resume negotiations over arms' inspections in Iraq. Even the US ruling class itself appears to be split over the wisdom of a 'war-game' to oust Saddam Hussain. Thus, prominent US Congressmen have prepared hearings to assess the implications of Bush Junior's plan, the army top brass are reported to have voiced their (militarily-inspired) doubts, and Republican stalwarts too have registered opposition.

Nevertheless, preparations for a war as of the middle of August are in full swing, and some analysts writing in the international press argue war is inevitable (2). We thus need to look at the implications for the US's and for the world's economy, of war if or when it happens, so as to understand the meaning of such a venture. In this article I will put the spotlights on two major economic implications. First, there are implications in terms of the production and the export of arms and armament systems, - and more broadly in terms of the business cycle of the US and in terms of the world economic conjuncture. These issues can be treated as one *block* of issues, since for most of the period since the Second World War, US arms' production and U.S. military budgets have been regulatory towards the American business cycle. The second *block* of topics to be addressed in this article is a series of topics relating to oil. This block will cover oil stocks and the reserves existing in the earth, the energy 'needs' of the US hyperpower and of other world powers, the organization of oil production, and the question of oil exports. Here again, with regard to oil, there are links with the business cycle of the US and of the world as a whole. However, in order to get full clarity about the political economy of the planned war against Iraq, each block of issues should be analysed separately. In each case – with regard to arms' production and oil – I will first sum up how the block of issues represented itself at the time of the second Gulf war, in 1991. Then I will try to delineate how the block of issues represents itself today, on the eve, *apparently*, of another imperialist war against Iraq.

2. U.S.-Arms' Production and the Business Cycle at the Time of the Second Gulf War

I will discuss the block of issues relating to arms' production first. To start, let's note the nature of US economic policymaking during the Reagan era, in the 1980s. This policymaking may be briefly summed up with the term '*military keynesianism'*. The government engaged in *deficit spending*, meaning that, in consequence of yearly increasing allocations to the Pentagon, it spent far more than was warranted by the size of its yearly taxation income. It thus engaged in stimulation of *aggregate demand*, which was John Maynard Keynes' key policy-prescription (3). Further, the main economic means used to fill the gap was state-borrowings, i.e. drawing loans from capital-holders at the capital market. This the Reagan administration succeeded in doing by driving up interest rates on long-term state-loans. The result was not only that many American private corporations and other capital holders were attracted to invest in state-bonds. Foreign capitalists, whether from Japan, from Europe or from countries in the South, were induced to do the same. There thus functioned a chain of four links, running from arms' production, via budget deficits, to borrowings and the fixation of high interest rates, and up to the import of huge amounts of foreign money capital.

The first link in this chain running via budget deficits up to capital imports, was production in the military sector, and more broadly speaking the economic manipulation of military spending for the purpose of business cycle regulation. In a pure market economy, all enterprises relate to each other as individual entities, and the process of economic growth depends wholly on whether companies buy and sell raw materials, components and end-commodities between them. In the *military-keynesian* structure of policy-making, however, things are managed differently. Here aside from the mutual links between companies there are two unilateral/*non-reciprocal* connections, - i.e. between the government and armament corporations and other private firms, and between the military sector and other industrial sectors (4). Here, one party (the government/the military sector's participants) acts only as buyer, whereas the other party (the military sector's companies/civilian producers) acts only as seller. This non-reciprocal character of the relationships makes it possible for the government to manipulate the military sector, as the Reagan administration in the 1980s clearly did.

The application of *military keynesianism* which occurred through most consecutive decades after World War II, however, poses risks. Risks which became increasingly evident in the course of the 1980s, after the initial euphoria over Reagan's apparent success in convincing New York's speculators had passed. One possible risk is that of a shift in financial resources from the civilian sector to the military sector and to the government. This shift which occurred because interests on state-loans were seductively high, in the 1980s led to a falling level of investments in the civilian economy (5). Whereas an expansion of investments in the military economy took place incessantly, accumulation in the civilian sector(s) lagged behind. Again, there is the risk that other imperialist nations might disagree with the policy of tapping capital resources from abroad. For in case the drain is too serious, - other imperialist states competing for financial resources internationally may start feeling uneasy.

These contradictions underlying *military keynesianism* as practiced by the Reagan government indeed grew rapidly, and such already by the first half of the 1980s. They came to a head in October, 1987, when the world's stock exchanges witnessed the biggest *krach* since the crisis-year 1929. A huge amount of money in the form of the value of company-shares evaporated in one single day, - completely contrary to the view that capitalism after World War II had been 'stabilised'. The immediate background to this *krach* was formed by differences in opinion between the United States and Germany over interest rate levels, i.e. contradictions over international capital flows. Germany resented the fact that the US through artificially high interest rates attracted an 'unduly' large amount of loan-capital from Europe, and reacted – with dramatic results. Ever since 1987 it was clear that the Reagan regime would not be able to continue regulating the business cycle in the manner it had done before.

Within the US ruling class a consensus thus was reached by the late 1980s that the policy of *military keynesianism* could no longer be sustained. What role then did the second Gulf war play in relation to the U.S.-business cycle and to US arms' production? The given war took place at the time of a brief recession, i.e. the lowest point in the (U.S.) business cycle. As such it facilitated a major transition – from state-reliance on military allocations to stimulate aggregate demand to dependence on the information sector as motor of growth. In order to enact this transition, the state pushed military corporations into relying more on export orders for fighter planes, missiles, etc. The concrete function of the war which turned into a huge mass slaughter of Iraqi soldiers, was demonstration of the efficiency of US-produced means of destruction. This was understood well by a section of the Western media, which well highlighted it in the aftermath of the war (6). Figures regarding the rising share held by the US in world armaments' exports since 1991 fully illustrate that the war-policy of Bush senior was effective in those business terms!

3. Implications of a War on Iraq for U.S. Military Production and the Business Cycle Today

The first point to be made about today's realities is that the United States since the early part of this year has been facing the coincidence of two adverse economic phenomena. First, since March share-prices at the New York's Stock Exchange and at stock exchanges elsewhere have steeply declined. Once again, the figure for the amount of paper money lost is enormously large (a reported 7600 Billion U.S.-Dollars for the US alone …). Some analysts have already compared the slow *krach* of 2002, which follows closely upon the fall of share-prices in September, 2001, with the historic *krachs* of 1987 and of 1929. At the same time, the process of growth in the real economy which came to a standstill last year when the US entered a recession, has not really picked up so far. The business cycle is still at its low point, and the American economy could re-slide into a recession at any time, if it has not already done so. Whereas the US government's policies of enhanced public intervention decided upon immediately after September 11 helped to rapidly restore confidence among the U.S.-business class, - today, less than a year later, confidence in government policymaking remains very low. The U.S. and the world economy are indeed very vulnerable right now!

Further, whereas during the decade-long business cycle of the 1990s, as stated previously, the information sector took the lead, it is obvious that a next business cycle can only get shaped, if a different pump primer takes the information sector's place. One interpretation of last year's recession – a newspaper account stated that the contraction in overall capital investments amounted to 3.6 percent in the U.S. – was that it was a classical case of 'overproduction', which manifested itself in over-investments of fixed capital in industries relating to the 'new economy' (7). That means, since manufacturers of computers, mobile telephones and other information technologies characterized as end-products, had been overly optimistic and thus had over-invested in durable means of production, they now were suddenly faced with idle production capacity. The very sector which had led the growth process in the past was dramatically exposed to the danger of a crisis. In view of the huge financial problems faced in particular by corporations based in the telecommunications' and information sector, it is evident that the so called 'new economy' can no longer be relied upon to drive the process of growth.

Meanwhile, there are many facts confirming that the US government for several years on end has been preparing to institute a fresh economic policy, - one that once again takes account of the potential of the military sector and of military budgets as instruments of business cycle regulation. The re-orientation was already noticeable at the end of the Clinton era. It is reflected in increased government allocations towards the military for the years 2001 and 2002, allocations which were decided upon by the new Bush administration, and which have been given a further impetus by the September 11 events. Whereas even in the lean period of the 1990s, U.S.-spending on arms and on the military was stated to have been larger than the spending of all the US's potential adversaries combined, president Bush immediately after September 11 has made additional allocations for military spending in 2002 and 2003 (8). The military budget is to rise to 379 Billion U.S. Dollars in the coming financial year. Nevertheless, it should be kept in mind that, if calculated as percentage of the U.S.'s Gross Domestic Product (GDP), military spending remains far lower — than it had been in the Reagan years of the 1980s, - reportedly around 3 % now, as compared to 6% then.

In this context, implementation of the war-plan against Iraq most likely would signal a resolve on the part of the Bush-administration that it does not aim at *partial*, but at *full* restoration of the military sector as regulatory mechanism for the US business cycle. It would most likely mean that the U.S.-government aims at providing a double impetus to American armament corporations. On the one hand, by beating a redoubtable international adversary, Bush *cum suis* would once again certify American arms, and try to protect the US's international position as arms' exporter, - against, for instance, the aggressive export drive of Bush's friend, the Russian president Putin (9). On the other hand, even if the war is short, armament corporations will expect to receive new and lucrative orders for aircraft carriers, fighter planes, drones, electronic spying equipments, etc. Thus, even if a policy-reorientation has already been accomplished, as stated above, - the war would greatly accentuate the role of *unidirectional flows* of arms from armament corporations to the U.S.-state. Thus, a third Gulf war would once again come at a crucial and sensitive moment in the U.S.-business cycle, be it that the nature of the re-orientation is partially the *reverse* of that experienced in 1991.

In any case, whether the military sector is *partially* manipulated to regulate the business cycle or is used as *exclusive* leverage, - the choice to rely on this sector indicates that the American government is incapable of formulating a creative capitalist policy. Emphasis on arms' production by the US hyperpower only leads to a massive waste of human and material resources, which instead could have been employed to increase human welfare on earth. Bourgeois economists under the influence of John Maynard Keynes, since the depression of the 1930s have kept suggesting that the state should boost society's *aggregate demand*. Yet in promoting the state's economic intervention Keynes and others failed to distinguish clearly between those types of economic stimulus that are *productive* – and those that are typically *unproductive* (10). Whether the state buys commodities representing social waste, or makes qualitatively different allocations, hardly seems to matter to them. Moreover, history has amply proven that reliance on the military sector as pump primer cannot be continued indefinitely and with impunity. Witness once again the outcome of economic policy-making in the 1980s. Hence, the policy of expanded allocations towards the military, and of using a third Gulf-war to achieve this end, should be fiercely resisted by anybody interested in the wellbeing of humanity.

4. Oil at the Time of the Second Gulf War

There is yet a second *block* of issues which needs to be considered in order to be able to grasp the political economy of the US's war plans against Iraq, i.e. the whole range of issues relating to oil. These issues have been central issues for the world economy for many decades, in view of the fact that oil serves as principal means of fuel in cars and other forms of transportation, and in general contributes critically to the world's energy supplies. Moreover, as well known, oil from OPEC's founding in 1960 onwards gradually became the focal point for the assertion of economic rights by Southern countries which depend on the exports of primary products for their economic growth. When OPEC's members raised the international price of oil (from *3 US Dollar* upwards in 1973), and moreover nationalized oil production in country upon country, oil became the centre of a power contest between Western imperialist countries on the one hand, and oil producers and exporters based primarily in the Middle East on the other (11). What then were the implications of Iraq's 1990 occupation of Kuwait for the contest over oil resources, and what would be the implications of a U.S.-war against Iraq for this same contest today?

First**,** Iraq's 1990 occupation of Kuwait threatened to thoroughly upset the power-'balance' between oil exporters and oil consumer nations, and also between oil-exporting countries themselves. Kuwait is small in territorial terms. The country was originally created by Great Britain to ensure separate control and management of the oil wells located in its deserts. Yet its weight in terms of oil-production and oil-exports is considerable. Again, Iraq itself too ranks high on the list of top-producers. Any combined control over Iraqi and Kuwaiti oil would have provided Iraq's government of Saddam Hussain a much increased leverage over OPEC's determination of the quantum of production, and over the determination of the international price of oil. Consequently, power inside OPEC would potentially have shifted further towards countries ready to challenge U.S.- and Western imperialism. This neither the U.S., nor the U.S.'s Western allies, nor the West's supporting countries in the Middle East, were willing to concede.

A decisive role in allowing the U.S. to launch its massive military assault on Iraqi forces in Kuwait, and on Iraq itself, was played by Saudi Arabia. The Saudi kingdom, in terms of oil *production*, *exports* and income, in terms of oil production *capacity*, and in terms of proven oil *reserves*, towers above all other oil-producing and –exporting nations (12). For many decades, the feudal kingdom, ruled by the Saudi dynasty, has been a very staunch ally of the United States. Even as OPEC was formed to assert the economic and political power of oil producers, and such with Saudi Arabia's consent, the country remained sensitive to the needs of the U.S., at times appearing to act as the US's Trojan horse within OPEC. Via Saudi Arabia the U.S. could continue to limit the rise of the international price of crude oil, as Saudi Arabia could always be appealed upon to employ its reserve production capacity and raise the volume of oil production to stem a (spontaneous or induced) price-rise. Thus, Saudi Arabia's choice to support the US-led war in 1991 had both military and economic significance. Not only did the country offer its military bases for war operations (from the air and from the ground); it also offered to raise the level of oil production to reduce the pressure on the price of oil, and indicated readiness to pay for a part of the war costs.

An added factor, which made it relatively easy for the ousted Kuwaiti rulers to get a hearing in the West, was the existence of Kuwaiti *finance capital*. Historically, in the beginning of the twentieth century, the existence of finance capital, being banking capital in control of industrial enterprises, was held to be characteristic for monopoly capitalist countries of the centre of the world economy, - countries like Great Britain and Germany (13). In the case of Kuwait (and of Saudi Arabia as well) finance capital was/is based in a Southern country, and is invested in reverse direction, - i.e. not by Northern capitalists in the South, but by Southern financiers in Northern economies. Being a country with a population of no more than 1.7 million souls, members of the Kuwaiti ruling class according to conservative estimates by 1990 owned more than 100 Billion Dollars in foreign assets and investments (14). A part of this had been invested in state-bonds (of the US, Germany, etc.), but much of it represented direct investments in oil reprocessing (refineries) and in other sectors (sugar production, chemical enterprises). In Spain, the Kuwaiti Investment Office (K.I.O.) alone held two-thirds of all foreign investments! For U.S.-imperialism all this meant that a substantial financial contribution could be demanded from the Kuwaiti rulers-in-exile towards bearing the costs of the second Gulf war.

In view of these factors it is not difficult to understand that the U.S. under Bush senior could muster ample resources to launch its air- and ground-war against oil-rebel Iraq. Still, it may be recalled that not all observers at the time believed the US could implement its war threats. Even as massive troops (over 500 thousand) were mobilized and brought to Saudi Arabia in the later part of 1990, there was fierce speculation over the potentially adverse economic consequences of the planned assault. These speculations were mainly centered on the issue of the international *price* of oil. As the beginning of the war drew close, the oil price indeed rose to over 30 Dollar per barrel, and the fear was widespread that it might rise to as high as 60 Dollars per barrel. As it is, these fears did not materialise, because Saudi Arabia raised its production level, and because the duration of the war was short. Nevertheless, even the temporary price increase on the eve of the war appears to have had adverse effect, contributing as it did to the outbreak of recession in the U.S. .

5. Implications of a New Gulf War for Power Relations Around Oil

Let's then try to compare today's situation vis-à-vis the block of oil-issues, with the situation as it existed on the eve of the second Gulf war. Kuwaiti control over Kuwait's oil-wells has, of course, been restored. And yet, Western control over oil production in the Middle East has become only more *uncertain* than it was in 1990/91. This is best illustrated through the example of the internal briefing prepared by a functionary of the Rand Corporation (Pentagon-oriented think tank) recently. In this briefing Saudi Arabia is defined as an *enemy* of the US (rather in line with Osama Bin Laden's *agenda*!) (15). The label of enemy has been affixed onto the oil kingdom in view of the financial support with Saudi institutions are said to have furnished to the terrorist Al-Qaeda network. Saudi Arabian officials continue to argue that their country is a trustworthy ally of the United States. But fact is that Saudi Arabia – contrasting with its position in 1990/1991 - this time refuses to allow the United States to stage a war operation against Iraq from its territory. It has openly stated it *disagrees* with the US's war plan. Fact is also that U.S. and Israeli strategists are pondering over potential war operations not only against Iraq (i.e. aimed at the fall of Saddam Hussain and formation of a puppet government in Baghdad), but also against Saudi Arabia (for the conquest of Saudi oil wells) and against Iran, the third main oil producer in the Middle East (attacks on nuclear installations).

Very striking, further, is the fact that the U.S. has been looking increasingly towards Russia as a country that can be relied upon for its oil needs. In the beginning of the 1990s, just after the collapse of the Soviet Union, Russian oil exports were at a low, but they have meanwhile picked up remarkably well, in particular in the years 2000 and 2001. A number of relatively well consolidated capitalist monopoly companies have meanwhile emerged in Russia, two of the most powerful of them being *Lukoil* and *Yukos*. Some of these companies are vertically integrated enterprises, meaning that they control the whole production and marketing chain, from the extraction of crude oil from the soil, through oil-processing in refineries, and up to the sale of petroleum at gasoline stations all over Russia (16). An essay published in *Foreign Affairs* (a U.S. policy-oriented magazine) in March/April of this year noted that Russia had 'quietly but persistently' increased its annual oil output at a rate of nearly half a million barrels per day, being 'the largest single increment of output of any country in the world' (17). Although Russia needs to reserve a major proportion of its output for domestic consumption, it nonetheless has now emerged as largest oil-exporter outside of OPEC. Thus, the U.S. is keenly trying to play on contradiction between OPEC and Russia. Contradictions in fact came to the surface in the later part of 2001, when OPEC adjusted its members' production quota to shore up the price of oil, counted on the cooperation of non-OPEC members, but had a hard time convincing Russia to go along (18).

Yet even if Russia would play into the U.S.'s hands, which as of now appears unlikely (19), things still wouldn't be safe for imperialism. Various experts have warned that the West simply cannot do without Middle Eastern oil, and that it would be foolhardy to try and dispense with Arab cooperation. Even though Russian oil reserves are rather large, the Middle Eastern region continues to hold the largest share of the world's oil reserves, i.e. an estimated one-quarter of the total. Saudi Arabia alone possesses over ten percent. Further, these reserves will be required to respond to a rising energy need in the world. The U.S. itself in the 1990s has claimed a reported one-third of the overall increase in the world's oil trade (20). Again, there is the question of rising oil needs of China and of other Asian powers. China since 1993 has become a net oil importer. Its imports have climbed to 600 thousand barrels a day, and they are expected to further rise, to three million barrels a day by 2010 (21). Japan too has to pay a huge oil bill annually. According to the International Energy Agency (I.A.E.)'s predictions, world consumption of petroleum will increase from 72 million barrels per day in 2001 – to 92 million barrels per day by 2010 (22). And although a world depression could affect the level of oil demand and could force experts into revising their estimates downwards, competition over oil resources between oil importers is likely to further increase. Hence the U.S., as only military hyperpower, by all means seeks to maintain control over the world's oil riches, in particular over oil wealth in the Middle East.

What then does all this herald for the U.S.'s war plans against Iraq? The target of these plans obviously is not to protect the world's population against the threat of mass destruction, but to reduce uncertainty for the U.S. over oil supplies from the Middle East, by installing a regime in Baghdad that will be subservient to U.S.-interests. Whereas Iraq's occupation of Kuwait in 1990 threatened to increase the leverage of non-pliable members inside OPEC, a complete U.S. occupation of Iraq, American warmongers hope, would help secure and expand U.S.-influence over policymaking in OPEC. Besides, a message would implicitly be delivered to present and future policymakers in Saoudi

Arabia whom U.S.-policymakers no longer trust. This message, if needed, is that the U.S. has the full military might and the resolve to re-establish control over Middle Eastern oil wells, whenever a country chooses to resist and harm U.S.-interests, or is *suspected* of having such intentions. Thus, whereas the new American military doctrine of the '*preventive strike*' pronounced earlier this year, appeared to be directed at Iraq and Iran, the message emitted by new U.S.-strikes against Iraq may well be directed at Saudi Arabia. The U.S. will hammer in the possibility of '*preventive*' strikes aimed at establishing direct U.S. military control over Saudi Arabian oil.

Everything said, the economic dilemma posed by the U.S.'s current war plans seem larger than the dilemma the hyperpower faced in 1990/1991. Already the threat of a new Gulf war seems to have driven up the international price of crude oil. In the third week of August, the price at markets in New York and London rose to over 30 Dollars a barrel (23). Further, although some Kuwaiti functionaries are canvassing support so as to ensure that oil production is kept up and that a further rise in prices be prevented, what OPEC-members and Russia would do in case of a full scale US-war against Iraq remains a matter of speculation. Though Saudi princes have huge financial stakes in the U.S.-economy, and though Russia has not proven to be a reliable ally of OPEC recently, anger over the war might push them into using the oil price as peace-weapon against the hyperpower-aggressor. Again, even while a swift end to the mass slaughter might result in rescaling the level of the international oil price downwards, the million dollar question would be what effect a limited price-rise (30 Dollars a barrel is already high in times of recession!) will exert on the U.S. and the world economy. Already, the world capitalist crisis has deepened tremendously over the last year or so. In addition to the unprecedented poverty and deprivation faced by African countries in consequence of unequal and disparate exchange (24), a huge financial and economic crisis has erupted in key countries of Latin-American, has driven massive numbers of people below the poverty line, and is staring policymakers in the face. Also, the slow *krach* which has hit the world's stock exchanges since January of this year may at any time snowball into a world depression. Some of those Northern policymakers who are cautioning against war must have noted the gravity of the world's crisis. Nevertheless, it remains quite well thinkable that Bush junior *cum suis* will decide in favour of a 'preventive' oil-war. As stated, from a moral point of view such a war is entirely undefendable. From the standpoint of political economy, the war would be a spasmodic effort to promote the interests of U.S. armament corporations, and to expand U.S. control over oil resources in the Middle East.

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(1) the first Gulf war was a war-of-the-trenches fought between Iran and Iraq in the 1980s, see Peter Custers, 'De Golfoorlog en de Wereldeconomie' (*AMOK* Antimilitarist Magazine, Utrecht, the Netherlands, May-June 1998, p.20); the second Gulf war was the mass-assault launched by the United States and its allies against Iraqi occupation forces in Kuwait and against Iraq itself in January, 1991, see Peter Custers, 'Gulf Crisis and World Economy' (*The Economic and Political Weekly*, Vol.XXXVI, nos 1 and 2, January 5-12, 1991, p.23);

(2) see the lead essay by the French specialist in geostrategy, Gerard Chaliand, 'Pourquoi la Guerre d'Irak aura Lieu' (*Le Monde*, August 14, 2002, p.1-p.9);

(3) John Maynard Keynes, *Algemeine Theorie der Beschaeftigung, des Zinses und des Geldes* (Verlag von Dunckel & Humboldt, Muenchen and Leipzig, Germany, 1936); Dudley Dillard, *The Economics of John Maynard Keynes. The Theory of a Monetary Economy* (Prentice Hall, New York, USA, 1948);

(4) the non-reciprocal character of the military sector was notably recognized by the Belgian economist Ernest Mandel, *Der Spaetkapitalismus – Versuch einer Marxistischen Erklaerung* (Edition Suhrkampf, Frankfurt am Main, Germany, 1974, p.257); Rosa Luxemburg had earlier asserted the same, but in relation to the production of (gold-)money – see Rosa Luxemburg, *The Accumulation of Capital* (Monthly Review Press, New York, U.S.A., 1964, p.101);

(5) see for instance Jaqueline Grapin, *Forteresse Américain. Le Nationalisme Américain a l'Epreuve* (Editions Grasset, Paris, France, 1984); also Klaus Engelhart, Peter Johann, Wilfried Klank, Casper Schirmeister, Peter Delitz, Klaus Berndt and Udo Roehne, *Die Rolle der Ruestung in der Wirtschaft des Heutigen Kapitalismus* (Institut fur Internationale Politik und Wirtschaft, Berlin, German Democratic Republic, 1984);

(6) Martin Walker, 'Buzzing Arms Bazaar' (*The Guardian*, March 6, 1991); David Pallister, 'Arms and the Salesman' (*The Guardian,* May 13, 1991); Michael Klare, 'Vers un Explosion du Marché des Armes' (*Le Monde Diplomatique*, Paris, France, April 1991); Frédéric Clairmonte, 'U.S. Now Leading Global Arms Supplies' (*Weekly Holiday*, Dhaka, Bangladesh, April 3, 1992); Jean-Paul Hébert, 'Face a Leurs Concurrents Europeens – les Etats-Unis Consolident Leurs Hégémonie sur le Marché des Armes' (*Le Monde Diplomatique*, November 1995, p.8-9);

(7) The daily *NRC-Handelsblad*, Rotterdam, the Netherlands, November 15, 2001. Other newspaper accounts have interpreted the recession as caused by lagging consumer demand. For instance, *Le Monde* on November 15, 2001 held that whereas household expenses are the motor of growth in the U.S.-economy, representing 67

percent of GDP, consumer demand has fallen in consequence of widespread indebteness of individual households;

(8) Michael Mandel, ‘Rethinking the Economy’ (*BusinessWeek*, October 1, 2001, p.34); Laurent Zecchini, ‘Etats-Unis et Europe: le Grand Ecart des Budgets de Defense’ (*Le Monde*, February 6, 2002); according to data cited by Zecchini, the size of the US defense budget was 279.7 Billion Dollars for 1998, rose to 310.5 Billion Dollars in 2001, and has been fixed at *379 Billion* Dollars for the present financial year; these figures undoubtedly indicate that the increment over the 1998-2003 period is huge; see also Jacques Isnard, ‘Aux Etats-Unis, un Budget de Guerre à Risques’ (*Le Monde*, February 12, 2002);

(9) according to SIPRI, ‘The rate of increase in Russian military expenditure has been extraordinary during the two years 1999-2000: roughly 44% in real terms according to provisional figures, a combined increase of $13 Billion (at constant 1998 prices).’ – see *Sipri Yearbook 2001*, Ch.4, Military Expenditure and Arms’ Production (Oxford University Press, Oxford, UK, 2001;

(10) a lucid critique of Keynesianism was offered by Paul Baran in his *The Political Economy of Growth* (Monthly Review Press, New York, U.S.A., 1957); for an overview of the contribution made by the American Marxist School of Paul Sweezy and Paul Baran towards the analysis of wasteful production under capitalism, see John Bellamy Foster, *The Theory of Monopoly Capitalism. An Elaboration of Marxian Political Economy* (Monthly Review Press, New York, U.S.A., 1986);

(11) Peter Odell, *Oil and World Power* (Penguin Books, London, United Kingdom, 1986);

(12) for data on Saudi Arabia’s oil production and oil-related capital wealth, see e.g. Dominique Gallois, ‘Les Royalties d’Une Elite tres Fermée. Le Blason Terni de l’Or Noir’ (*Le Monde*, March 3-4, 2002, p.14-15); according to Gallois’ figures, Saudi oil production for 2001 was 9.1 million barrels per day, the country’s reserves stood at 261.7 billion barrels, and the country’s revenue income from oil was 56.5 Billion Dollars; in comparison – Kuwait’s oil income was 14.9 Billion US Dollars, and Iraq’s was 14.6 Billion US Dollars in 2001;

(13) V.I.Lenin, *Imperialism. The Highest Stage of Capitalism* (in V.I.Lenin, *Selected Works*, Vol.1, Part 2, Progress Publishers, Moscow, U.S.S.R., 1952); Rudolf Hilferding, *Finance Capital – A Study of the Latest Phase of Capitalist Development* (Routledge & Kegan Paul, London, United Kingdom, 1985);

(14) *The Financial Times*, ‘Kuwait’s $ 100 Billion Foreign Assets Would Pay Off Saddam’s Debts’ (August 10 1990, p.4); Frederic Clairmonte, ‘Au Banquet des Predateurs. La Finance Koweitienne se Taille un Empire’ (*Le Monde Diplomatique*, January 1989); and Frédéric Clairmonte, ‘La Finance Koweitienne Peut se Passer des Revenues de Petrole’ (*Le Monde Diplomatique*, September, 1990);

(15) the given analysis was presented to the U.S. Defence Policy Board by a senior policy analyst of the Rand Corporation, Laurent Murawiec – see Patrick Jarreau, 'Le Parcours Atypique de Laurent Murawiec, Consultant de la Rand' (*Le Monde*, August 13, 2002, p.4);

(16) an insightful analysis of the restructuring of the Rusian oil industry in the direction of vertically integrated companies is provided by C.Locatelli, 'The Russian Oil Industry Restructuring. Towards the Emergence of Western-type Enterprises?' (Institut d'Economie et de Politique de l'Energie, Grenoble, France, January 1999);

(17) Edward Morse and James Richard, 'The Battle for Energy Dominance' (*Foreign Affairs*, March/April, 2002, p.16);

(18) Martine Orange et Marie-Pierre Subtil, 'La Russie Refuse de s'Aligner sur La Politique de l'OPEP. Elle Donne des Signes de Soutien aux Occidentaux' (*Le Monde*, November 26, 2001); also Paul Starobin, 'An Opportunity for Russian Oil? Some Producers Want Putin to Square Off with OPEC' (*Foreign Affairs*, December 3, 2001);

(19) as the crisis over the US-war plan against Iraq unfolded in mid-August, Russia and Iraq announced they intend to sign an agreement over mutual economic cooperation in September of this year; the agreement worth 40 Billion US Dollars signals a major expansion in trade relations between the two countries; mutual trade already comprises 5 Billion Dollars worth of oil- and arms' deals per year – see *NRC-Handelsblad,* Rotterdam, the Netherlands, August 19, 2002);

(20) Edward Morse and James Richard (2002), op.cit., p.22; according to the same authors, the U.S. increase in imports accounted for *more than half* the total increase in OPEC's production during the 1990s;

(21) Kent A.Calder, 'Asia's Empty Gas Tank' (*Foreign Affairs*, March/April, 1996, p.56 and p.58);

(22) Pascal Gallinier, 'Quand le Petrole Disparaitra' (*Le Monde*, December 7, 2001, p.2);

(23) Cecile Prudhomme, 'Les Prix du Petrole Restent Sous Pression' (*Le Monde,* August 22, 2002, p.2); according to Prudhomme, the threshhold of 30 Dollars was crossed on August 20; two weeks earlier, the price hovered around 25 Dollars per barrel – see Marc Roche, 'Les Oppositions a Une Guerre Contre Saddam Hussein se Renforcent' (*Le Monde*, August 8, 2002, p.2);

(24) Peter Custers, 'Systems of Disparate Exchange. African Experiences' (*The Economic and Political Weekly*, May 12, 2001, p.1594); for extensive data on the negative consequences of globalization for Least Developed Countries (LDCs) in Subsaharan Africa, see the United Nations Conference on Trade and Development

(UNCTAD), *The Least Developed Countries Report. Escaping the Poverty Trap* (United Nations, New York and Geneva, 2002); for an earlier assessment of the lastingly negative impact of unequal exchange for Africa, see Henk L.M.Kox, *Export Constraints for Subsaharan Growth. The Role of Non-fuel Primary Commodities* (Research Memorandum 1990-1991, Free University of Amsterdam, December, 1990).