“New and Recurring Forms of Poverty and Inequality in the Arab World"

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I. Introduction

It is common to note that by international standards, the Middle East and North Africa has relatively low levels of poverty and economic inequality (Gardner 2003; UNDP Report 2003). While this fact appears to belie the association commonly made between levels of social instability and economic deprivation, it also suggests that commonly used indicia of economic well-being might be poor predictors of broader social outcomes. Most importantly, it highlights the limits of comparison: what does it mean to juxtapose a region that has had access to about roughly 20,046 billion dollars of oil revenues between 1974 and 1996 and 784 billion dollars of aid from 1970 to 2003 with countries characterized by enduring and dramatic capital scarcities?

The main thrust of this research note is to demonstrate that the key to understanding the substantive experience of inequality and poverty in MENA is concealed by aggregate measures. *Inequality and poverty take many different forms that are not comparable.* Rather, we must focus on the human consequences of extreme economic instability and volatility that characterize the region. The sources of this instability, I show, are built into the region's resource structure, regional politics, and international interventions. The consequences of this economic instability can, I submit, be just as devastating, in the terms of the lives people live, as long-term and stable poverty.

Putting aside, for the moment, the appalling quality of available economic data on the MENA region, an issue I take up in the next section, I make four basic claims in this research note. First, extreme levels of economic instability and flux have defined the region since 1973. The Arab world's reliance on oil exports and the transmission of this

volatility to even the non-oil exporters of the region has had deeply destabilizing effects at the social, political and psychological levels that go far beyond those captured by the literature on the "resource curse" or the Dutch Disease. If our concern with poverty and ; economic equality is a proxy for our interest in the quality of human life, surely economic *instability* and physical *insecurity* should figure in our calculations. There is a large body of literature, commonly associated with the moral economists, that stresses the primacy of stability as a human and social goal. Arguing against the classical Smithian view of man's innate propensity to accumulate, this literature highlights the violent outcomes of market forces, and the volatility created by the "price mechanism" or the "market" (Scott 1976, 1985; Polanyi 1957; Sahlins 1972; Thompson 1991). In a host of other literatures of vastly diverse origins, stability is associated with growth. Even conventional neo-classical accounts, not to mention the neo-institutional economists (North 1990; Ensminger 1996) recognize the indispensability of stability in promoting investment, creating "trust" and securing the pre-requisites for economic growth. Similarly, political economists seeking to explain the spectacular rise of the East Asian Newly Industrialized Countries argued that successful integration into international markets was facilitated by the institutional interventions of the "developmental state" (Johnson 1962, 1982, 2000; Haggard 2000; Haggard and jen-Cheng 1987; Evans, Rueschemeyer, and Skocpol 1985; Evans 1979, Amsden 1989). Such institutional interventions and the patterns of economic behavior to which they give rise are highly vulnerable when subjected to particular kinds of market pressures for which they are singularly unprepared. Thus, the benefits of specific developmental strategies in one institutional arrangement can easily produce disastrous effects when parts of the institutional scaffolding of the "model" is removed,

as was the case prior to the Asian financial crisis of 1996 (Wade 2004, 2000; Woodruff 1993).

Stable or even slowly rising levels of poverty and inequality, I submit, are not nearly as disruptive as the cycles of boom and bust that have been the hallmark of the recent economic history of the Middle East. These booms and busts, although directly connected to oil prices and exports, are not confined simply to oil exporters, but are transmitted to the region's labor exporters through lower levels of remittances or shifts in the composition of imported labor. This flux reinforces and feeds into a host of long-standing political conflicts that center on issues of citizenship, entitlement and national belonging and can lead to violent conflict both within and between countries. Economic insecurity, in short, not only shapes economic behavior in dramatic ways; it reaches both up into the realm of high politics and down into the realm of the family and the individual psyche.

Second, a variety of political factors, local, regional and international, have contributed to this resource-based instability. There has been at least one major war in the region since the 1970s, not counting the Palestinian-Israeli conflict; and international sanctions have created virtually unique externally imposed deprivation in a region that is, by all accounts, "rich."

Third, aggregate data of the kind typically used when discussing MENA ignore large segments of the region" population and fail to capture the lived social and economic reality of the region's inhabitants. This claim, furthermore, applies to the majority of developing countries: the breadth and depth of the informal sector in the developing world open to question the utility and accuracy of macro-economic data in

general. There are basic structural imbalances in the region that prompt me to question the basis for celebrating the Arab world's affluence and higher levels of equality relative to other LDCs. As I show below, rising levels of unemployment, spectacularly high birth rates and continued reliance on primary exports and are only part of the problem. Underlying these are the much more fundamental issues of food security and the water crisis.

Finally, new forms of poverty and inequality are emerging in the Arab world that are, and will continue to be, deeply divisive and socially disorienting. These include the rapid feminization of labor in highly patriarchal societies where male unemployment is high and growing, new and unstable forms of export-oriented production, sub-national differences in economic performance, the effects of post-9/11 restrictions on the flow of money and people across borders, new kinds of labor inflows, and the progressive retreat of the state from the provision of social services. The decline in social services continues in tandem with relatively stable levels of government employment, but wages in the public sector have declined radically, pushing state employees into the ranks of the "working poor." As highly indebted Arab governments respond to the World Bank and IMF demands for further "state-shrinking" state employees will formally enter the ranks of the unemployed.

I begin with a brief discussion of the quality of data available through official state agencies as well as authoritative international developmental organizations like ESCWA, the IMF and the IBRD. I expose and challenge the extra-empirical ideological "work" that these data are often used to perform. Section two gives an over-view of levels of poverty and inequality based on available aggregate data. In the third section I

outline the various kinds of economic insecurity and flux that have characterized the post 1973 history of the region. Section four and five examine new forms of inequality and poverty.

II. Why don't we know anything?

In the 1970s and 1980s, when statism was the norm and all American academics were regarded as "spies," we became accustomed to scrambling for scraps of information about the Arab economies. This was the era when the population of the GCC countries was a state secret; and when Cold War rivalries and regional military competition put a premium on secrecy in countries that functioned as regional proxies for the United States and the Soviet Union. While the statistical data for the 1950s and 1960s were relatively robust, if tightly controlled by governments, the oil boom ushered in a new era of opacity. Motivated partly by politics, and partly the result of the atrophy of information-gathering agencies within Arab bureaucracies that were re-orienting to manage capital inflows rather than monitor domestic economic activity, national elites were largely successful in creating a virtual void of economic and social information (Chaudhry 1997, 1991, 1993). Data on major labor exporting countries like Egypt, Jordan and Yemen were similarly distorted with huge capital inflows entering the domestic economy entirely under the state's radar.

These issues have received attention commensurate with the frustration they evoked. The surprising (and equally frustrating) fact is that while economic liberalization, the end of the Cold War and the realignment of Arab countries resulted in the entry of international economic agencies into the very structure of the Arab state there has been no noticeable improvement in publicly available economic data. With the

exception of countries like Syria, Iraq and Libya, that did not succumb to the directives of the IMF and the World Bank, it is entirely unclear why the reforms of the 1980s and early 1990s did not result in higher quality data and freer access to it in countries like Morocco, Jordan, Egypt and Yemen. The same can be said of direct clients of the United States in the Gulf. It is a stranger fact, still, that almost *all* the on-line data sources on the MENA region are *suddenly* missing **any** data on Iraq.

One can only speculate about why this is so. I would like to suggest two reasons. First, even in cases where states that have been direct clients of the host of institutions that manage and promote the Washington Consensus, there appears to be a tacit agreement between international institutions and governments to obfuscate and conceal. Where corrupt and unpopular governments are deemed to be important allies, a unity of interest emerges in secrecy, Saudi Arabia being the archetypal case. Even where detailed data exist, they are difficult to access. So, for example, Morocco and Jordan have both done multiple household surveys in the 1990s, the results of which are apparently available to the World Bank; they are not open to public scrutiny. International agencies and Arab governments collude in what might politely be called "information management."

Second, as Wade (2004) suggests, the misrepresentation of economic realities by the authoritative institutions of international economic management is a result of some combination of technical incompetence, false assumptions and a blatantly ideological project of justifying the neo-liberal reforms of the past two decades. It is out of this proclivity that we are subjected to the analytical tack that dominates texts produced under the aegis of the World Bank, the IMF and even the United Nations. International

agencies have an interest in presenting a positive view of those countries in the region that are complying with their policy prescriptions.

As a result, we have a plethora of studies published by economists affiliated with the World Bank that focus on "selected" countries that permit them to deploy of an image of economic health. "Analysis" rarely goes beyond the 1990 benchmark, when the effects of Bank policies began to emerge in full force. Blatantly contradictory "facts" thus come to be interpreted in the most positive way possible; and anomalies in the data are typically marked as being in need of "further investigation". Adams and Page of the World Bank, writing in the reputable journal *World Development*, for example, manage to strike a positive note while reporting that MENA has "one of the most equal income distributions in the world" when they conclude: "the MENA region has achieved all of this—low poverty with fairly equal income distribution—with very low rates of gross domestic product (GDP) growth. Between the 1980s and the 1990s, per capital GDP in the MENA region rose only by 4.3%. During the last 20 years, only one region of the world (Europe and Central Asia) recorded a lower rate of per capital GDP growth. This pattern of slow growth, reductions in inequality, increases in the income share of the poorest quintile, and a low and relatively stable poverty headcount index is unique to the MENA region." A miracle, indeed, especially since they also note that "poverty in MENA has increased by about 17% over the past two decades. . ." (Adams and Page 2003).

While it is not hard to see how statistical manipulations performed on partial data of dubious accuracy can yield these "unique" findings, it is less clear why one would take solace in noting that MENA, which had access to the largest capital inflows in the history

of the developing world, and very low population densities, should be congratulated when it compares favorably with countries like Bangladesh.

The Arab Human Development Reports (AHDR) of 2002 and 2003 represent a new interpretive twist to the approach taken by multinational agencies to development issues in the Arab world. While the AHDR 2004 openly questions the veracity of the American Occupation Authority's claim to be bringing democracy to the Arab Middle East, all three AHDRs function within the ideological template of the Bush Administration's rendition of the Washington Consensus. This is a version of neo-liberalism that one could describe as a "Genesis Model of Development," in which economic growth is assumed to be the causal result of "democracy." The first two AHDRs, both of which I have reviewed in detail, can only be described as reflecting a "turn to phantasy." The Reports, written almost exclusively by Arabs, are littered with quotations from famous Arab thinkers from various eras, presumably to buttress the impression that its values and prescriptions are indigenous to "Arab culture." The 2002 Report sets out to illuminate the "three deficits" in Arab society: knowledge, freedom and women's empowerment and lay out a general "strategy" for eliminating these "deficits." The 2003 Report focuses on the building of "an Arab knowledge society" on account of knowledge being "the most instrumental" of the original goals.

While it would be difficult to take issue with the argument that educational reform is a pressing concern in the Arab world, as elsewhere, including California, the approach taken by the Reports reflects a drift in thinking about development that avoids and obscures issues of resource allocation and the distribution of income. Moreover, as I

show below, it simply is not true that women's participation in the work force is an important problem.

Just as the 1980s brought us the miracle of the market, and the "Velvet Revolution" that finally bestowed upon Russian women the gift of Levi Jeans, the Arab Human Development Reports mirror the ascendant discourse in Washington, which enshrines the conservative-revolutionary vision of democracy as being the cure for all human misery. The result is that the Reports put forth grandiose and obviously unattainable goals that are patently "safe" from the perspective of contemporary Arab governments. Who, after all, can quibble with education as a goal? And who can deny that, whatever their true yield, the per capita expenditure of Arab states on education is the highest in the developing world? Ideologies deployed with the aim to demobilize often succeed simply by occupying public space. It thus matters little that the goal of creating the "Knowledge Society" advocated by AHDR 2003 is completely disconnected from any reality on the ground, for it refers to a self-sustaining transformation in original research and innovation that takes generations to achieve. Fantasy is comforting when the goal is avoiding the genuine problems in the Arab world—problems of corruption, deprivation, nepotism and misallocation of resources.

More indicative of the "phantasy" approach, still, is the extent to which the Reports reflect the triumph of the belief that something called "a free culture" is the key to a brighter developmental future. This assumption not only overturns several generations of social science research devoted to critically examining the notion of "culture" that is operative in the Reports, it also goes directly against the facts as any reasonable economist knows them: there is no relationship between freedom/culture and

economic growth. According to the Reports, scientific achievement rests on a knowledge-based society, which rests on culture. As I have argued elsewhere, the cultural auto-critique that became the dominant secular trope following the Great Disaster of the 1967 Defeat set the stage for the triumph of Islamist discourse (Chaudhy 1998). The Reports reflect this triumph, invoking religious injunctions for "seeking knowledge" that draw on no less contemporary a source than the reflections of the medieval Muslim scholar Ibn Batuta.

Like Alex Inkles and David McLelland, the notorious 1960s champions of cultural engineering in the service of economic change, the authors of the second Report are out to "fix" culture via knowledge and vice versa. To their credit, at least the feverish theorizing of Inkles and McLelland were ultimately concerned with economic development. The Reports, in contrast, use cultural marketing to promote a purely ideological agenda. This is a theme to which I return at the end of this note (Weiner 1966).

There are, obviously, historically grounded institutional reasons why governments in the Arab world are willing collaborators in the "turn to phantasy" and the celebration of Arab economic achievements. It is a truism that most Arab governments are secretive. Economic information is politically sensitive for obvious reasons that are domestic, regional and international. Corruption, militarization, economic stagnation, regional conflicts and the exigencies of maintaining authoritarian control suggest that there are good explanations of elite behavior, but they are not particularly interesting or mysterious. Who needs that kind of publicity?

More interesting is the history of the shrinking institutional capacity of governments to collect economic information. In the pre-liberalization era, high levels of government intervention in the economy and direct state participation in production meant that states had easy access to quite a bit of economic information in countries like Syria, Egypt, Algeria and Iraq. As I have argued elsewhere, interventionism was often motivated by efforts to gain control of information and garner tools of economic statecraft that were illusive in the immediate post-independence era (Chaudhry 1993). In the so-called "oil monarchies" of the Gulf, information-gathering agencies atrophied along with the regulatory state starting immediately after the oil boom of the 1970s, as economic state-craft became possible through distributive policies. Later efforts to revive such institutions have floundered.

For the others, economic liberalization had a number of unintended consequences that undercut the state's access to economic data. The expansion of the informal economy, the freeing of international financial transactions and so forth, present formidable obstacles to information gathering and tracking trends over time. Simply put, the portion of the economy that was visible using standard measurements started to shrink during the oil boom and then shrank in other ways following liberalization. Other factors, such as regional migration and informally remitted external earnings added to the problem, particularly in aid-dependent countries where governments had a built-in interest in underestimating such flows. Thus, for example, official statistics on remittances in countries like Jordan, Egypt and Yemen bear absolutely no relationship to reality despite the fact that labor constitutes their main "export commodity."

To summarize, then, I repeat the mantra with which we are so familiar: we know very little about the poverty and inequality in the Arab world. Institutional infirmities, structural change, the close connection between the exigencies of maintaining political power and secrecy are part of the story. In addition, through some alchemy of the political triumph of economic neo-liberal thought, policies pursued under this doctrine and the apparent collusion of governments and international agencies in highlighting positive developments, distributive questions are asked ever less frequently.

II. What we "know": Increasing Poverty and Declining Living Standards

Real per capita income has declined rapidly in the Mashrek, to about half of what it was in 1980. In Saudi Arabia, the decline has been truly dramatic. (Figure I) Moreover, Figure II, which contrasts GDP growth with growth in per capita income shows that personal wealth has barely grown since the 1970s.

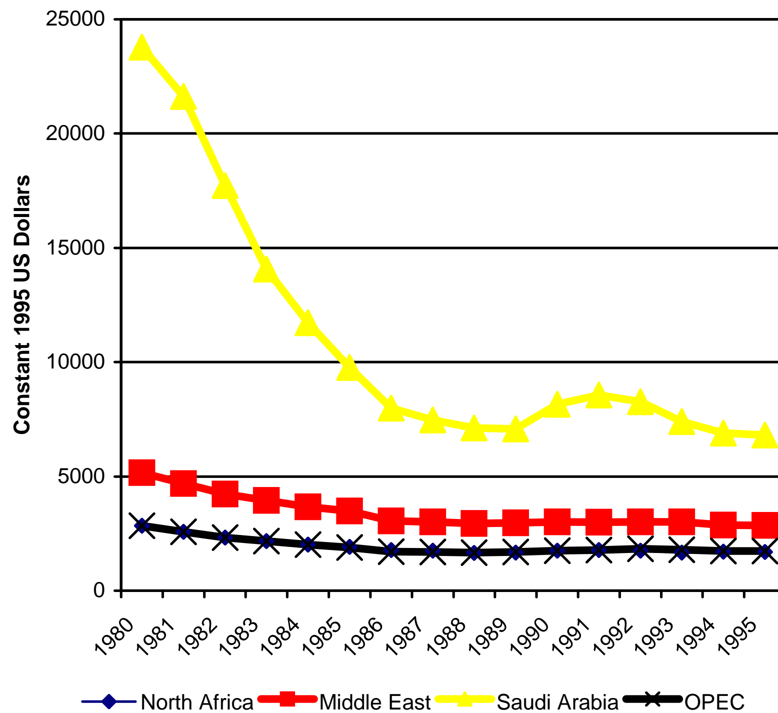
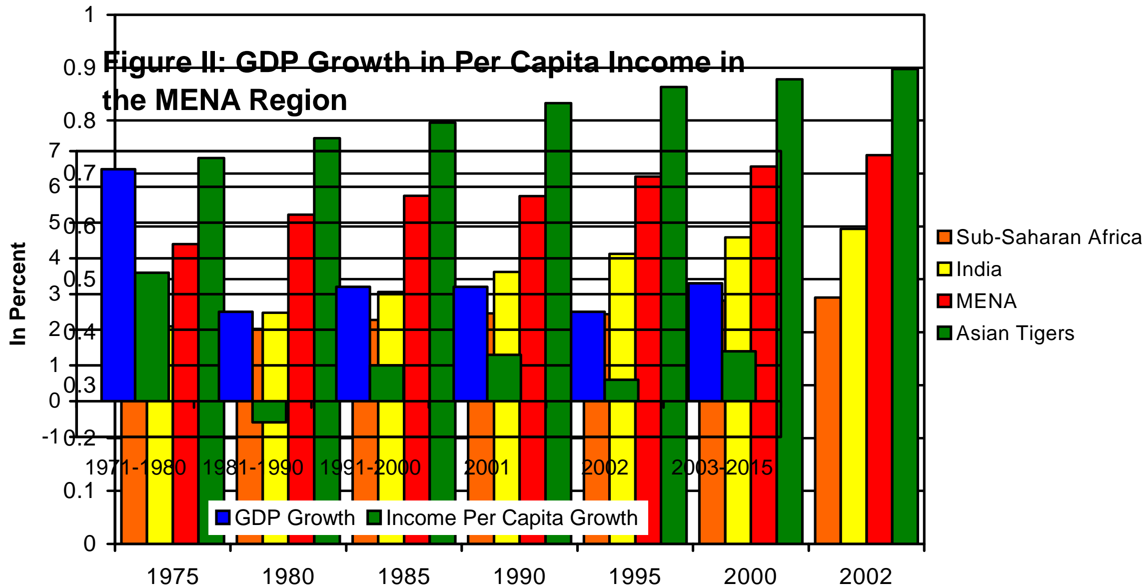


Figure III: Average HDI Score by Region



The proportion of Arabs living under the poverty line has grown remarkably in the era of liberalization, doubling in Algeria, and rising more than 6% in Jordan, Morocco and Yemen in the 1990s. By the mid-late 1990s, the poverty head-count in Algeria, Egypt, Morocco, Jordan and Yemen was in the 20-26% range, with poverty concentrated in the rural areas. (See Table I). These changes are not reflected in the HDI trends for the region, which show a steady, if small improvement since 1990. In regional comparative terms, the HDI is not anywhere near where it *should* be. Given the overall 17% rise in absolute poverty in MENA reported by the World Bank, one could only surmise that HDI indicators, slow to change, such as life expectancy, are responsible for glossing over economic changes on the ground.

Table 1: Population Below the Poverty Line (%)

	Survey Year	Rural	Urban	National	Survey Year	Rural	Urban	National
Algeria	1988	16.6	7.3	12.2	1995	30.3	14.7	22.6
Egypt	1981	24.2	22.5	26	1997	29.1	23.1	26.5
Jordan	1987	23.7	16.6	18.7	1992	29	22	24
Morocco	1990-91	18	7.6	13.1	1998-99	27.2	12	19

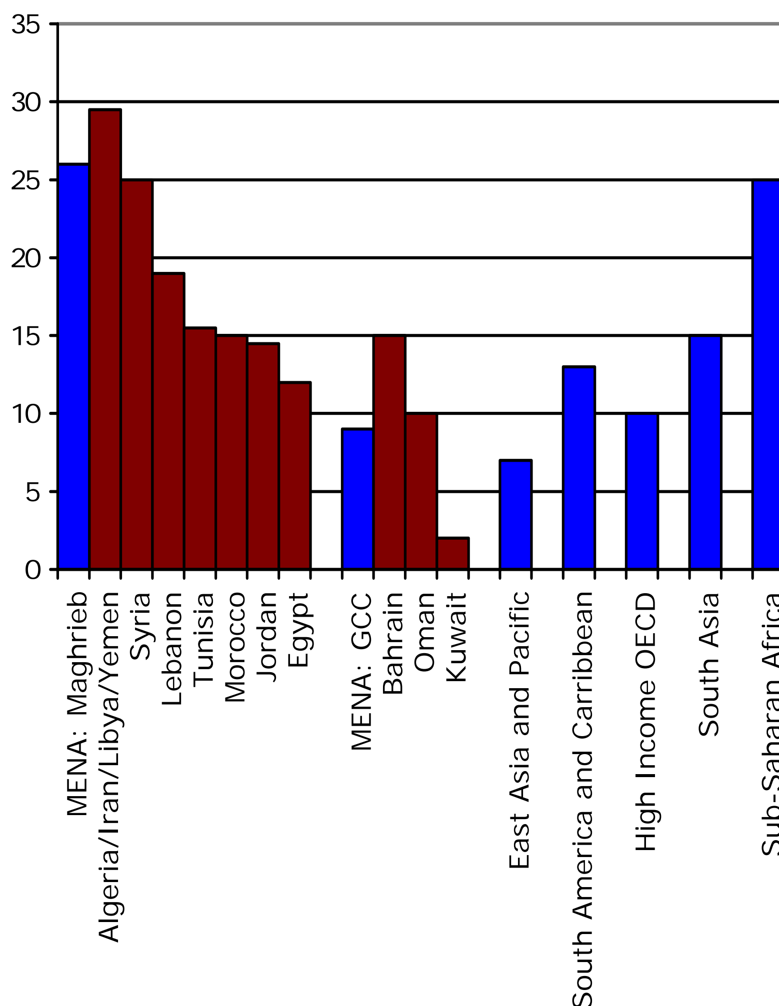
Tunisia	1990	13.1	3.5	7.4	1995	13.9	3.6	7.6
Yemen	1992	19.2	18.6	19.1	1998	26.9	21.8	25.4

Sources: Algeria: Poverty Assessment, 1997; Jordan: Ministry of Social Development 1987 and 1992; Yemen: HBS 1992 and 1998; Morocco: Poverty Update 2000; Egypt: Alleviating Poverty during Structural Adjustment, 1991; IFPRI, A Profile of Egypt, 1997.

Most Arab countries have experienced a sharp decline in real wages since the 1980s, with public sector wages in the temporal lead (Economic Research Forum for the Arab Countries 1996). In the most extreme case, Egypt, 1992 public sector wages were only 50% of their 1982 levels. Algeria did even worse, with public sector wages declining by 16% per annum from 1989 to 1992 (Ali 2000).

Rates of unemployment in non-GCC countries are among the highest in the world. Poverty, like joblessness, is concentrated among the young (Economic Research Forum for the Arab Countries 2002). (See Figure V) There have been marked spikes in informal urban employment, ranging from 30-35% in Egypt to 35-45% in Yemen, 37% in

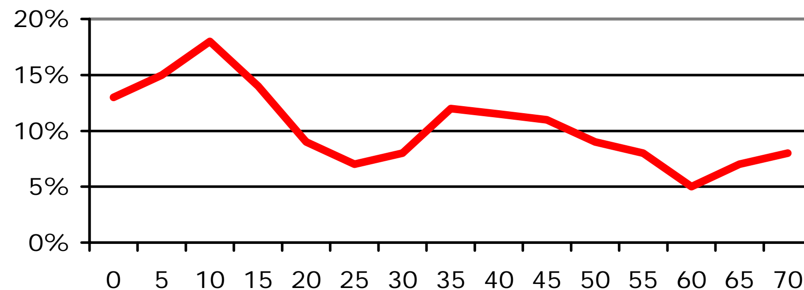
Figure IV: Unemployment, 1999



Morocco and 33% in Jordan (Ali 2000). Underemployment and the practice of taking many different, insecure jobs on a temporary basis are on the rise, although these are notoriously difficult to quantify with any accuracy.

Institutional mechanisms for labor to represent its interests have disappeared with the implementation of new labor laws. Countries that continue to have liberal labor laws on the books are often the biggest violators of worker's rights: Saudi Arabia, for example, has perhaps the most protective labor laws in the world. According to the authoritative institutions of international economic management, the elimination of all progressive labor laws would solve the unemployment problem.   In fact, even if one would accept the logic of this neo-liberal economic idea, it would have no impact since huge chunks of the labor force are already functioning in the informal economy and working for day wages far below officially mandated ones. Gestures toward political liberalization have been highly effective as a method of obscuring responsibility for economic outcomes; in fact, economic policy is strangely absent from the agendas of parliament, not to mention the formal public space. There are, however, some limits: As Ali and El Badawi, respectively of the UN and the World Bank point out, one must always be wary that the poor, when pushed to the limit, might force distributive policies upon governments, thereby derailing the speeding locomotive of economic liberalization (Ali 2000).

Figure V: Poverty Rates by Age, Jordan, 1997



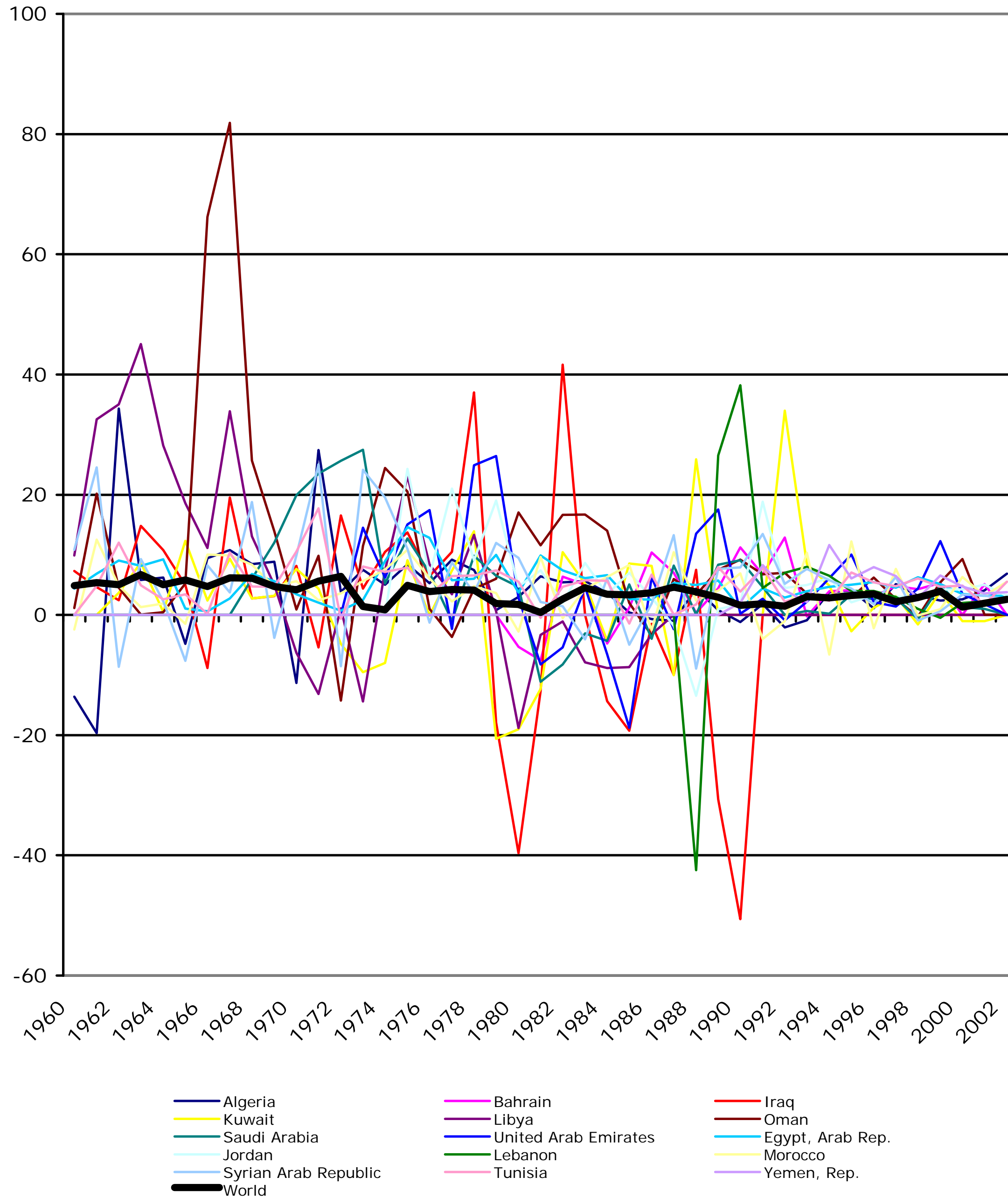
As mainstream economists never tire of repeating, the Gini coefficients for the region depict higher levels of equality than elsewhere in the developing world. Yet, as a measure of inequality, the Gini has little relationship to absolute levels of poverty or economic decline. Thus, as figures for sub-Saharan Africa suggest, a country can be dirt poor and have a respectable Gini coefficient. This is basically what is happening in the Arab world. And this is why it is not reasonable to celebrate the fact that the composite Gini for the Arab world is lower than that of Latin America, especially since over the period in question (1980s and 1990s) the only region to have lower growth rates than MENA were the successor states of the USSR.

In assessing the real lived experiences of human beings in the Arab world, I want to argue for a stronger focus on three underlying structural factors that are almost completely ignored in the literature but that, in my estimation, pose the most important long-term challenges for the Arab world. First, there are two basic resource deficits in the region that, unlike the "freedom" deficit identified by the AHDRs, are real, long-term and deadly: water and food. The region has an absolute and growing water scarcity and imports an inordinately large proportion of the food it consumes. Efforts to revive agriculture in countries like Algeria and Iraq in the mid-1980s foundered, for a variety of reasons. Others, like Yemen and Somalia have agricultural sectors that almost exclusively use female labor and have moved from food production to narcotics. While the GCC countries, having depleted their aquifers with the wheat bonanzas of the 1970s, were able to invest in desalination plants for potable water, poorer countries do not have the same option. For at least the last two decades, water—even drinking water--- has become the most scarce commodity in the region.

Second, while much has been made of the “demographic gift” bestowed on the Arab world following three decades of the highest growth rates in the world, to this writer, the gift looks more like a population bomb. The assumption, reflected in the literature of the UN, IMF, IBRD trio and parroted by their intellectual progeny in the Economic Research Forum, that the relatively large number of employment-age citizens and the relatively small number of dependent retirees is a recipe for a Rostowian “take off” is nonsensical. With rates of joblessness growing rapidly and little hope for employment-generating investments in sight, it is difficult to imagine how a large number of poorly educated and completely unskilled youth who have no acquaintance with the disciplinary strictures of the work ethic can be presented as a favorable phenomenon.

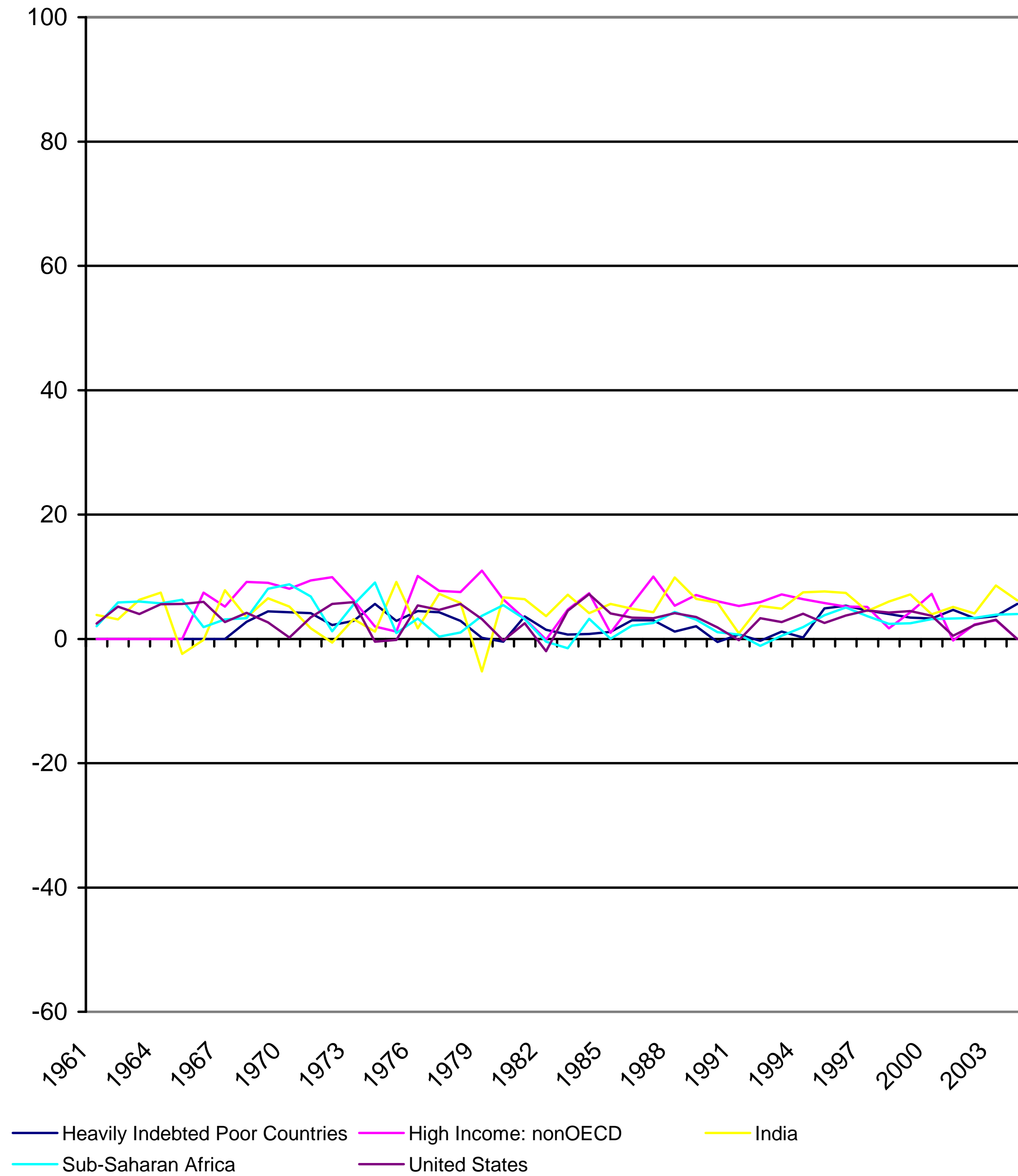
As I argued above, an aspect of economic life in the Arab world that deserves much more attention than it has gotten is the inordinately high levels of volatility and flux that characterize the region’s economies. Consider, for starters, Figure VII, which shows GDP percent change from previous year against the same trend for the world. The boom and bust patterns we see here are not, as economists are wont to call them, “business cycles” but rather the result of oil export dependence, intra-Arab political conflicts, and war. We need not recount here the peaks and valleys of oil prices: they are well known. But since memory tends to be selective, let us recall the other source of instability and consider how war maps onto the booms and busts of the oil economies. The recent military history of the region is a terrifying story of generations lost: the Arab-Israeli conflict; the Lebanese Civil War; the Algerian Civil War; the Yemeni Civil War, the Iran-Iraq War, The Gulf War 1990-91, The Sudanese Civil War; the Somali Civil War and the American conquest and occupation of Iraq.

Figure VII: Volatility, GDP per cent Change from Previous Year



The drama of war often conceals its long-term impact on human economic insecurity and the way wars suddenly reshape regional economic inequality in far-reaching and unexpected ways. To take one example, the 1990 Iraqi invasion of Kuwait resulted in the expulsion of 1.2 million (Stevenson 1993) migrant laborers from Saudi

Arabia, not to mention hundreds of thousands of Jordanians and Palestinians. Kuwait was devastated, but recovered rapidly. Meanwhile, as the devastation of Iraq was being



accomplished, the liberation of Kuwait precipitated a huge economic boom in the surrounding states. Jordan boomed because that was where wealthy Iraqis fled, sending

real estate prices soaring and generating a new market for consumer goods. Saudi Arabia boomed because oil prices peaked and the US troop presence created a buoyant climate for service providers in the private sector; Qatar and the UAE because of spikes in trade and services, not to mention oil prices. Out of wars, also, come other kinds of opportunities. Massive debt forgiveness for Egypt in return for her support in the 1991 liberation of Kuwait is a recent example. The American invasion of Iraq in 2002 too, yielded dividends for Egypt and Jordan. The Yemeni government's post-9/11 cooperation with the United States global "anti-terrorism" campaign has, similarly, resulted in the inflow of military and other aid and investments in the oil sector (Klaus 2004; Irish 2004; Dunkley 2004; Everett-Heath 2004; James 2004; Lidstone 2004; McDowall 2004).

The current US invasion of Iraq has produced a massive economic boom in the surrounding countries. Kuwait, Qatar and the UAE are experiencing a construction and service sector boom of such proportions that they are finding it difficult to spend the cash that is flooding in. The anticipation is that Iraq will soon provide unprecedented opportunities for investors. Saudi Arabia has been able to retire its domestic debt and spend more on social services. Turkey's exports to the Arab world are soaring, and there has been a revival of Anatolian Tigers like Gaziantep that were particularly badly affected by the embargo on Iraq.

Wars and economic volatility reshape economic fortunes in the region across countries in ways that are unanticipated and sudden. A case in point is changing patterns of labor imports. Although aggregate cross regional flows such as labor remittances have continued to grow over time, (see Table 2) spurring a higher level of dependence on the

Table 2:Worker Remittances in Selected MENA Countries 1970-1995 ($ million)

Country	1970	1980	1985	1990	1995
Algeria	211	241	313	321	n.a.
Egypt	29	2,696	3,212	3,744	3,417
Jordan	16	n.a.	1,022	500	n.a.
Morocco	63	989	967	1,995	1,890
Tunisia	89	207	351	539	590
Yemen	60	n.a.	1,391	1,366	n.a.
Total	415	5,004	7,469	8,892	6,351
TOTAL	188	4,666	4,823	6,653	6,282

Source: World Development Report, Various Years

export of labor as a source of foreign exchange, there is an increasing level of flux in who gets to migrate and how long they are allowed to stay. Apart from politically motivated labor-import preferences that sought to replace Arab labor with Asian labor, the GCC states adopted a policy of deliberately rotating labor to prevent laborers from forming economic and political networks starting in the mid-1980s (Abdel Jaber 1993; Adams and Colton 1996; Al-Amin Fares 1993). To the extent that this policy spreads opportunity through a larger number of families, the impact of this policy on the exporting country's income distribution is most probably positive. The effect on the individual laborer and his family, however cannot but be economically disruptive and psychologically disorienting (MERIP Reports 1984). At the individual level, economic volatility produces a propensity to consume rather than invest. It also has deeply disruptive effects on the individual's capacity to plan and on the stability of household economies. Moreover, the social effects of unstable access to migration are socially disruptive at the local level, producing sudden changes in the relative economic status of families living in close

proximity. Where tribal, religious or ethnic divisions exist, such changes can and do spill over into violent conflict.

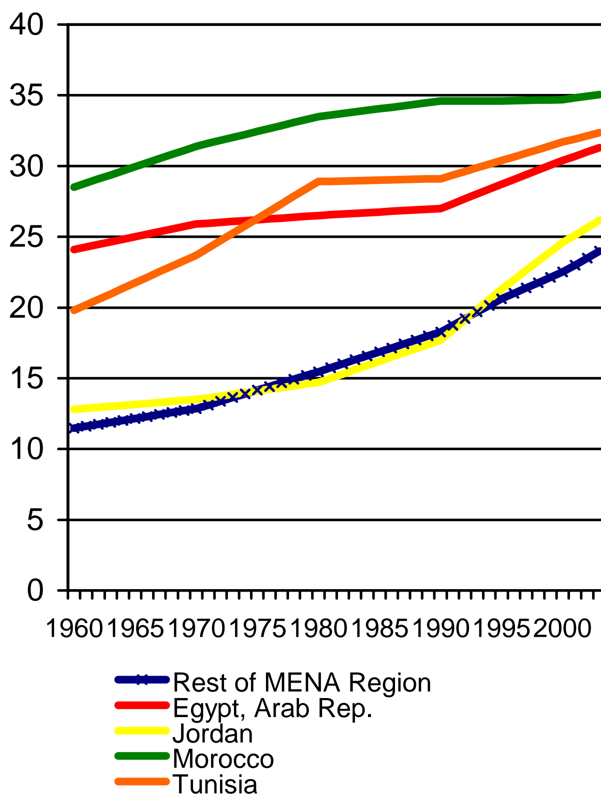
III. New Forms of Inequality

While the debate rages about whether or not international integration has led to an increase in poverty on a global scale, it is now commonly recognized that the neo-liberal reforms of the last two decades have created greater inequality, both globally and within countries. In the Arab world, as elsewhere, economic reorientation has created novel forms of inequality that have social and political consequences. Most of these changes are notoriously difficult to quantify at the macro level and are best captured in local level, ethnographic research.

On account of the bright light that has been trained on the issue of gender inequality in the recent literature on the Middle East, I refer to the topic only briefly (MENA Development Report 2004; Papps 1992; ESCWA 2004). Historically stable, cultural practices of gender discrimination aside, a couple of new developments deserve mention. First, twenty years into heavy spending on education, combined with lack of employment opportunities, have generated a mismatch between education levels and employment opportunities. Particularly in the Gulf, women tend to acquire higher levels of education than men, but are only marginally represented in the job market. Education levels for males in primary education in Saudi Arabia are only 60%, despite the fact that government spending on education is a robust 9.2% of the GNP (UNDP 2003). Female enrollment in tertiary education is higher than that of males in Bahrain, Jordan, Kuwait, Lebanon, Qatar and Saudi Arabia (UNDP 2003). A new form of inequality that has

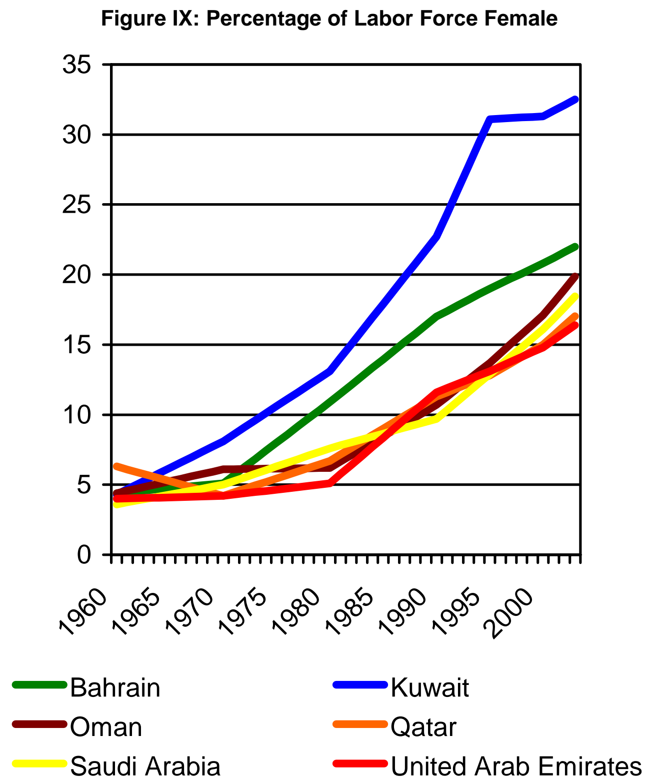
emerged in the past 20 years is thus an inverse relationship between education and opportunity that is not only wasteful but also a potential source of familial tensions.

At the same time, particularly in the Gulf after 1990 and in the export promoting economies of Morocco, Tunisia, Jordan and Egypt, there has been a feminization of the labor force that belies the routine quip that empowering women in the economic realm should be a central focus. Female labor tends to cluster either in public sector jobs or in the informal sector. The reality is that non-agricultural female employment has been growing dramatically in both the GCC countries and in the non-oil exporters. (See Figures VIII and IX)



The trend to feminization of labor among youth is even more striking: In *every* Arab country except Yemen, females are *more* likely to be economically active than males. (See Table 3) These trends mirror a global phenomenon of the feminization of labor, as reflected in the transnational studies conducted by Guy Standing (1999). As his data show, the absolute number of employed males has been on a decline as women are recruited into low-paying jobs marked by high levels of insecurity (Jones 1989; Mirchandani 2004). Case studies across the developing world have reflect this reality

(Raynolds 1998; Walby 1989; Jenson 1989; Gottfried 2000; Tyner 1999). Meanwhile, male unemployment rates in the Middle East and North Africa are among the highest in the world, reaching 30% in Algeria, Iran, Libya and Yemen. (See Figure IV, above) Export concentration in textiles and ready-made garments—sectors that favor female workers-- has created social and familial tensions in countries where male unemployment is high (Lynch 1991; Fontaine and Schlumbohm 2000). These trends have and can be expected to continue in creating a backlash as more and more men encounter the emasculating experience of being unable to provide for their families (Joshi 2002; Janssens 1997).



The feminization of labor builds on other, quite vivid sources of what one might call the "crisis of Arab masculinity." Events that have little meaning for the American public have inflicted a steady series of psychological traumas on Arab and Muslim males. For Western liberals the televised medical examination of Saddam Hussein, (widely regarded as an emblem of masculine power), or the racist overtones of on-going military conflicts in Israel-Palestine and in Iraq, or the graphic evidence of torture and gratuitous sadistic acts performed in Abu Ghuraib prison raise questions of international law, Arab

males experience them as deeply humiliating and emasculating. These psychological traumas map onto the economic reality of the feminization of labor and male unemployment. The point here is not to decry the financial independence that female employment affords women but to suggest that the social, familial and psychological adjustment to these changes is made even more difficult in the context of these collective traumas.[1] One consequence of this trend that has escaped the attention of policy makers in the United States is that resistance fighters in Iraq, Palestine, Saudi Arabia and elsewhere have come to embody the only symbols of masculinity that are left standing (Kimmel 2003). These symbols of masculinity, as I have argued elsewhere, appeal not only to men, but also to women (Chaudhry 2004).

Table 3: Indicators of Economic Youth Activity by Gender

	Youth Population (000s)						Indicators of Economic Youth Activity			
	1990			1995			Economically Active Youth, % of Total		Change per Year, 1990-95 %	
Country	Male	Female	% of Total Population	Male	Female	% of Total Population	Male	Female	Male	Female
Algeria	1869	1796	19.6	3020	2892	21	26	30	2.4	5.9
Bahrain	42	33	21.6	42	40	14.6	11	19	-4.3	2.4
Egypt	4608	4291	20.3	5982	5595	18.6	22	26	1.6	3.3
Iraq	1288	1230	19.4	2083	1986	20.3	25	26	2.2	4.2
Jordan	299	268	19.4	592	551	21.3	27	35	3.5	7.4
Kuwait	139	109	18	156	155	18.4	17	20	-6.2	-3.3
Lebanon	263	281	20.4	303	298	20	24	36	0.8	2.7
Libya	276	259	17.6	531	514	19.3	24	37	3.3	5.9
Morocco	1951	1990	20.3	2889	2778	21.4	27	33	1.7	2.5
Oman	104	95	17.6	192	189	17.2	19	27	2.4	9
Qatar	27	17	19	34	30	11.6	6	13	-1.1	10.2
Saudi	998	783	18.5	1671	1633	18.1	17	31	-0.2	6.5

[1] My own local-level research in sectors that grew rapidly following the economic liberalization in India regularly created opportunities for the lowest status groups, the social reaction to their economic mobility produced highly undesirable, often violent, responses on the part of high status castes and groups. (*Economies and Identities*, forthcoming)

Arabia										
Sudan	1784	1750	18.9	2788	2731	20.7	26	27	3	4.2
Syria	875	836	19.7	1493	1448	20.7	28	35	2.7	4.8
Tunisia	702	669	21.3	927	886	20.2	25	36	1.1	1.9
UAE	120	59	17.6	165	132	13.4	9	19	3.7	7
Gaza Strip	54	45	22	78	67	18.4	26	36	5.2	10.2
Yemen	700	813	18.4	1608	1435	20.3	31	29	5.3	4.6

Source: UN Statistical Charts and Indicators on the Situation of Youth, 1980-95

At the same time, employment in the emerging export sectors tends to be poorly paid, informal and highly unstable, raising the question of whether the global phenomenon of the feminization of labor is delivering the liberation that liberal feminists hope for (Steward, 2000; Birth 1996). Forms of sub-contracting in the textiles and food processing sectors, in particular, produce intense periods of work punctuated with periods of idleness of unpredictable duration (Steward 2000; Tietz and Musson 2002). The human experience of these new forms of production is the mirror opposite of public sector employment, where labor laws, pensions, regular work schedules and so on have been the norm. The reality of informal labor in export-oriented production, particularly in Jordan, Morocco, Tunisia and Egypt adds to the economic insecurity and volatility that characterizes the Arab economies at the macro level (Doan 1992).

Another source of new inequality stems from cuts in government services, the privatization of education, the elimination of subsidies and price controls, and the decline of state-sector employment and wages. As local level ethnographic research has shown, the coping mechanisms that have emerged to cope with scarcity tend to undercut uniform notions of citizenship, creating or re-enforcing links based on family, tribe or religious affiliation (Denoeux 1993). Scarce resources, including jobs, education, access to healthcare, childcare, loans and even lower priced goods increasingly flow through such networks. A dramatic example of this trend is illustrated in Ann Marie Baylouny's study

of hundreds of newly created extended "families" in Jordan (Baylouny 2002). Belonging to a "family" not only gives access to exclusive benefits, but also excludes those who do not belong, or belong to a less well-connected network. In post-conflict situations or contexts where conflict is on-going, these networks can assume overtly political or military form, or at least fragment society on a permanent basis.

Far from the rosy outcomes predicted by proponents of NGOs and "civil society," (Carapico 1998; Moghadam 2003) such developments actually create novel forms of inequality that undercut norms of universal citizenship (Davis 1997). These are not trivial issues that affect access to immediate needs—although access to goods, water, sewage systems, medicine, electricity and transportation can hardly be described as minor human preoccupations. Apart from raising issues of what the state actually *becomes* when it steps out of social service provision, where access to education or jobs is concerned, the effects of exclusion can be life transforming on a long-term basis. Driven by the patently ideological stance of international agencies and the very real fiscal crisis of the Arab state, these developments are certain to reshape identities in ways that we can hardly be sanguine about. To the extent that these networks extend into migrant labor and regional groups, their disciplinary strictures, their politics and their capacity to shape economic outcomes crosses borders.

One of the unique features of development in the MENA region has been the presence of an inordinately large number of foreign workers (Feiler 1991). Despite laws promoting indiginization of labor, reliance on foreign labor has increased rapidly in the GCC: where in 1975, 61 % of jobs were filled by citizens, by 1985 the number was 33% and by 1995, only 26%. Foreign workers outnumbered Kuwaitis by 500% and UAE

nationals by 1000% in 1995 (Economic Research Forum 2002; Choucri 2002; Humphrey 1993). Housed separately from nationals, and usually geographically segregated by country of origin, migrant labor has virtually no rights in most Gulf countries (Longva 1999; Jureidini 2001). Labor laws are exceedingly liberal, but they are not applied. The sponsorship system continues to be the mechanism through which workers enter labor-scarce Gulf countries. Domestic workers, except for drivers, are almost exclusively female; there is virtually no female labor outside of the housework context (MERIP Reports 1984; Tyner 1999; Jureidini 2001; Siddiqui 2000). Much has already been written about the conditions under which domestic workers labor and I will not repeat those findings here (Thompson 2000; Al-Najjar 2002; Hammam 1986). It goes without saying that temporary migrant labor constitutes a major line of inequality in labor-importing, oil-rich states.

Quite apart from the myriad forms of discrimination, stereotyping and rank violence experienced by laborers historically, there have been several new twists to these lines of inequality. First, as unemployment rates rise among Gulf state citizens, conflicts have begun to flare up between them and foreign laborers. Businessmen have been very reluctant to obey laws to use domestic labor that have been on the books since the mid-1980s. Second, as the preference for non-Arab grows, owing to a variety of factors, laborers are increasingly drawn from the poorest countries whose home-governments are ill equipped and least interested in promoting the rights of their citizens. Non-Arabic speakers have great difficulty functioning outside of their own networks and have no access to government agencies or police. Post-9/11 regulations not only subject foreign workers to increasing degrees of surveillance and arbitrary police harassment (Russell,

Al-Ramadhan 1994), they have also cut out many of the remitting mechanisms used by laborers—a policy supported by some "region experts" (Looney 2003). Thus, although worker remittances are a major source of favorable income distribution trends in exporting countries, their conditions in the host country are deteriorating.

Obviously, in countries like Iraq, where "reconstruction" is likely going to be the preserve of US multinational companies, cheaper foreign labor will be used in massive construction projects. Very high rates of joblessness among Iraqis have, and will continue, to spawn anti-foreign violence, as it did in the liberalization era of the 1989-90 period, when Egyptian workers who availed themselves of the new ACC open-Arab migration policies became the targets of violence. The United States administration has failed to understand the extent to which acts of violence against foreigners in Iraq today are related to the influx of foreign workers.

Finally, an entirely new group has entered the labor market in the Arab world: Post-Soviet women (Middle East Report 1999). Although they work in a variety of positions, the vast majority of post-Soviet migrant workers are engaged in sex work. In Dubai, Bahrain, Kuwait, Jordan, Syria and elsewhere, post-Soviet sex workers are an entirely new group of expatriate labor who, as such, generate complex and vexing questions about inequality and exploitation in arenas ranging from the status of the family in host countries, to health issues. Israel, a hub for the regional export of sex workers is an important player in facilitating access (Stone and Vandenberg 1992). Obviously, post-Soviet sex workers build on an existing region-wide hierarchy of sex work. In Iraq, prostitution is rampant today, but had already been steadily growing since the 1989 reforms. Egypt, Morocco, Tunisia and Lebanon are also regional centers for Arabs

seeking the services of sex workers. The advent of the post-Soviet women introduced a reshuffling of the existing nationally based hierarchy of sex workers. Thus, in the past, the hierarchy ran from Lebanese sex workers to Tunisians and then Moroccans and Egyptians. Now, sub-groups within the post-Soviet sex workers have reshuffled those status hierarchies. With local availability, aesthetic preferences are being transformed to the detriment of Arab women, raising the possibility of a "crisis of Arab femininity" to parallel the "crisis of Arab masculinity." To the extent that the attraction of the post-Soviet women is connected to notions of dominating and possessing these blonde icons of the "West," their entry into the Arab world could well add another twist to experiences of inferiority and insecurity wrought by colonization, economic dependence and the occupation of Iraq.

IV. International Sanctions

Economic sanctions have been used with growing frequency as a juridical tool to shape the political or military behavior of developing countries. The scope of sanctions and the instruments with which they are enforced have varied. Sanctions are applied at the bilateral level or through UN resolutions; they can be general or sector-related and can vary over time depending on a host of interests that the sanctioning power may have (Delevic 1999). Countries in the Middle East and North Africa have been subject to some of the most stringent sanctions regimes in history: Libya (1982-2005), Iraq (1990-2003) and Iran (1979-present) have experienced some of the most punitive sanctions regimes in history; and the threat of sanctions has become a ritual tool of enforcing compliance to particular US policy goals in the region. Syria, Pakistan, Afghanistan (prior to the US invasion) are recent examples of the use of this instrument.

In an era where the rhetoric of global economic integration has been the dominant trope of the G-7 countries, often presented as the panacea not only for growth but also for the "doux commerce" hypothesis that trade civilizes and undercuts passions that lead to confrontational and violent policies, sanctions seek to bring about compliance through severing the links between national economies and the international system. Stated aims rarely cohere with actual goals; and in none of the most stringent uses of the sanctions tool (Libya, Iraq, Iran, Cuba) has the goal of regime change been achieved through sanctions. Nevertheless, economic sanctions have radically reshaped the economic lives of citizens living under sanctions regimes, generating new lines of poverty and inequality. I use two examples, Libya and Iraq, to illustrate two substantively different ways in which sanctions regimes have this effect.

Following the Lockhead bombing incident of 1982, Libya was put under international sanctions that were comprehensive. The aim was to force Colonel Muammar Ghaddaffi to extradite Libyans suspected of orchestrating the bombing for trial in the United States. After 22 years of the sanctions regime Libya finally complied with US demands in 2004, having witnessed the effects of the war waged on Iraq by the US-British coalition. The war demonstrated to all countries a new willingness to ignore international law and use unilateral force to achieve rather unspecified goals and a general inability to even plan a military campaign and gave new meaning to "sanctions" as a precursor to massive military action.

I seek here to highlight only one aspect of the Libyan experience that builds on points made earlier about economic volatility and its effects. While it is widely recognized that the sanctions against Libya were regularly violated by European and US

multinational corporations, particularly in the petroleum industry, Libya's own ports were closed during the sanctions period. Since Libya's import needs include virtually all basic commodities, a host of alternative over-land transportation mechanisms emerged over time to supply the domestic consumer market. The main route, in this case, was through Tunisia, where a new international airport and a six-lane highway were built close to the Libyan border to truck goods into the Libyan market. As the sanctions regime continued, the entire trading structure of the country was rearranged. A highly statist system of supplying imported consumer goods was replaced by networks of Tunisian and Libyan entrepreneurs, who, in collaboration with border police, came to constitute an entirely new business class. Wholesale and retail networks, transportation companies and links with international suppliers were thus linked in novel ways across the border. In short, sanctions created two new nexuses of inequality. The first was the creation of a new and highly affluent business elite functioning in a newly liberalized price regime on which domestic consumers were completely dependent. This meant that, unlike the pre-sanctions economy, where most goods were imported, subsidized and distributed to the wholesale market by the state, private entrepreneurs gained control over both supply and prices in the context of limited competition. The losers in this scenario were the previously favored groups of domestic consumers (writ large), government employees.

Under the sanctions regime, the entire property rights regime and class structure of Libyan society was transformed entirely through a new kind of international integration that was radically different from that which had existed in the pre-sanctions era. This transformation, moreover, had nothing to do with an internally generated and developmentally oriented change in economic policy and philosophy. Just as the

sanctions regime created, stabilized and entrenched new groups in positions of economic privilege and disenfranchised previous beneficiaries of the pre-sanctions economy, the end of sanctions delivered another shock to the system. The end of sanctions suddenly severed the links between Tunisian businesses involved in the overland trade networks and their Libyan interlocutors, undoing the basis for their collaboration and adversely affecting Tunisian manufacturing and service sectors. The end of sanctions once more rearranged lines of inequality within the Libyan political and economic system, restoring, to a large degree, the privileged position of the state in the economy.

While it is too early to analyze the impact of the post-sanctions era in Libya, this case is suggestive of politically generated changes in inequality that originate in the international system, but are quite dissimilar to the kinds of processes highlighted by the Dependency and Dependent Development schools. The rise and fall of whole new classes as a result of sanctions, coupled with the natural patterns of boom and bust that typify oil exporters add another source of volatility that affects not just the country under sanctions, but also neighboring countries. One-time opportunities, thus, can turn quite rapidly into an imperative for sudden economic adjustment for countries like Tunisia, representing another way in which economic volatility and its distributional effects cross borders in the MENA region.

Iraq comprises perhaps the most dramatic example of the enforcement of a total international sanctions regime between 1990 and 2003. Much has been written about the human toll of the embargo, the inadequacy of the "Food for Oil" program and debate still rages about the legitimacy of the war that finally achieved what the sanctions could not.

Iraq is presented here as a stark example of the impact of the juridical tool of economic sanctions on poverty and inequality.

Basic indicators are sufficient to summarize what happened to Iraq over the 13 years of the sanctions regime (Mahdi 2002). Despite its eight-year war with Iran (1980-1989), Iraq in 1987 was an industrializing country with a respectable per-capita GNP of $3,503 and the country ranked in the upper "medium" category of the Human Poverty Index. By 1995, only four years into the sanctions regime, per-capita GNP had fallen to $705, comparable to that of Rwanda. The HPI ranking of Iraq in 1998 had fell to 42nd among the 77 poorest countries in the world (UN Security Council 1999). Inflation ran at 250% between 1994 and 1997 and unemployment rose from 4% to at least 50% in 1999 (UN Security Council 1999). By 1993, 81% of the population lived below the international poverty line of $ 14.4 per month (UN Security Council 1999). Since the U.S. invasion of the country, the situation has worsened dramatically (Ramcharan 2004).

There was a marked divergence in the economic fortunes of different regions because of the sanctions: the situation in the Northern Provinces improved enormously, while that in the Central and Southern Provinces deteriorated in a way that can only be described as tragic. For example, in the South and Center Provinces, infant mortality rates rose from 35 per thousand in 1990 to 125 per thousand in 1998; and under-five mortality rate rose from 31 in 1989 to 130 in 1998 (Ali, Blacker and Jones 2003). In the northern provinces, which had been granted autonomous status and where aid organizations worked freely, infant mortality rates were 60 per thousand in 1989, peaked at 115 in 1991 and subsequently fell to 47 in 1998. Under five mortality rates went from 80 per thousand in 1989, peaked in 1991 to 120 and then fell to 50 in 1998. The

initiation of the Food for Oil program in 1997 had no visible impact on the trends (Ali, Blacker and Jones 2003).

Does death and debilitation qualify as "poverty?" Consider this fact: "The calculation of excess mortality, based on the survey mortality rates and the UN 1998 projections, yields and estimate of between 400,000 and 500,000 excess under-5 deaths during the period 1991-1998" (Ali, Blacker and Jones 2003). Chronic and acute malnutrition more than doubled between 1991 and 1996. After a brief stabilization following the institution of the Food for Oil Program in 1997, acute malnutrition rose again after 1999 (FAO and WFP 2003).

These aggregate figures are tragic and shameful indicia of a brutal policy that also failed to fulfill the various renditions of its stated aims that were put forth by the US government. A closer look at targeted research, however, permits us to construct a more nuanced picture of the contours of poverty and inequality wrought by the international economic sanctions.

It is important to keep in mind that until Iraq began its radical and unsuccessful economic and financial reforms in 1988, immediately after the end of the Iran-Iraq War, that Iraqis were utterly unaccustomed to economic instability and insecurity. Through borrowing, oil exports and grants in aid from Arabs and the West alike, the government of Saddam Hussain had managed to completely control prices for almost all commodities by directly importing and distributing them to the population. The economic chaos created by the reforms thus meant that the benchmark year of 1991 was already reflective of a less stable economic environment than that which had existed until 1988. As I have argued elsewhere (and as Saddam Hussain, in captivity, has confirmed in an interview)

the mobilization for war and subsequent occupation of Kuwait was directly related to the consequences of the reforms (Chaudhry 1991, 2001).

Even before the invasion of Kuwait and the ensuing sanctions regime, the economic fortunes of many groups in Iraq had already been rearranged. Where largely family-owned businessmen, Ba'thists, and in particular private sector contractors amassed property and wealth in this period, inflation cut deep into the salaries of state sector employees. Educated women, who during the Iran-Iraq War had comprised 40% of the upper echelons of the state bureaucracy, were summarily dismissed to make room for demobilized army officers; and unemployment among the rank and file of the demobilized army of almost 1 million was rampant. The reforms signaled a massive and sudden restructuring of property rights and institutions, similar in magnitude to those that had taken place with the overthrow of the monarchy in 1964 and the onset of the Iran-Iraq War in 1979-80.

The sanctions, not to mention the bombardment of Iraq's infrastructure in the 1991 attack and all subsequent military actions were thus visited upon a population that was already experiencing novel and highly disruptive changes in access to goods, services and security. It is well known that the sanctions created black markets and smuggling networks that enriched those closest to the Hussain regime. But what did the rest of society look like?

First, the fortunes of different regions changed. The North, in general, with its relatively autonomous status, fared better than it had prior to the sanctions. The Central and Southern provinces did much worse than in the past. Second, people on fixed incomes – government officials, disabled persons and pensioners who had been well

provided for in the past—fell into the ranks of the destitute. The monthly average government wage dropped to between 3-5$ a month, forcing state employees to take second job (UN Security Council 1999). In short, the middle class of Iraq had all but disappeared even before the US launched its invasion in 1992 and since then there has been a mass out-migration of skilled and educated professionals.

In contrast to the other Gulf oil states, where there is an inverse relationship between education and employment because of high levels of educational achievement among women, in Iraq the sanctions wrought massive de-professionalization. Highly skilled men with post-graduate degrees sought work as drivers or petty vendors; Iraqi women, many widowed by the war, met their obligations as the family bread-winners by seeking informal employment in the so-called "service" sector (Women and Deprivation, UNDP, 15). Prostitution, almost unheard of in the pre-sanctions era became rampant, with attendant pressures on social norms and patriarchal family structures. (Women and Deprivation, UNDP)

Hardest hit, not surprisingly, were children. Iraqi society placed an inordinately high premium on education and the Ba'thist state had made huge investments in, and could boast enormous success in both eradicating illiteracy and in scientific training. With the sanctions, not only did the educational system collapse due to lack of funding, but a phenomenon unheard of in the past emerged as a central feature of cities, where the vast majority of Iraqis live. Child labor and begging replaced school (WHO 1999). Juvenile crime cases doubled between 1991 and 1996 and the rate of convictions among boys rose from 18% in 1990 to 32 % in 1994 (UNICEF 1999).

The psycho-social effects of the sanctions and the continuous bombing by allied forces throughout the 1990s were devastating for the population at large. According to one report there was a 157% rise in mental patients seeking out-patient care between 1990 and 1998 and 137% rise in hospital admissions for severe mental disorders. More strikingly, and in addition to explicitly psychological admissions, between 30-50% of medical or surgical patients admitted to hospitals in the same period were also found to be severely mentally ill, although psychological disturbances were not the reason they sought medical intervention. These figures, drawn from government sources, are supplemented by the finding that citizens seeking private sector psychological care rose by 200% in the 1990s (WHO 1999). Children are typically least able to express or recognize mental illness verbally, yet even reported cases suggest that children were very hard hit by the familial distress and the shortages caused by the sanctions. Mental disorders among children 14 and younger rose by 124% between 1990 and 1998. In the single year when economic insecurity and food shortages were highest (1996-1997) there was a 15% rise in the number of mental cases admitted to hospitals in the pre-10 year old age category.

The U.S. occupation of Iraq and the preceding 12 years of sanctions have resulted in the virtually complete destruction of what was once the only Arab country poised for long-term and relatively equal growth. I have already alluded to what the war has done to regional inequality. Suffice it to say here that if there is one people who experienced the ravages of international power struggles, imperialism and devastation more than the Palestinians, it is the Iraqis. Here, then the dimensions of global inequality – of resources, power and the ability to inflict large-scale violence – are vivid and naked.

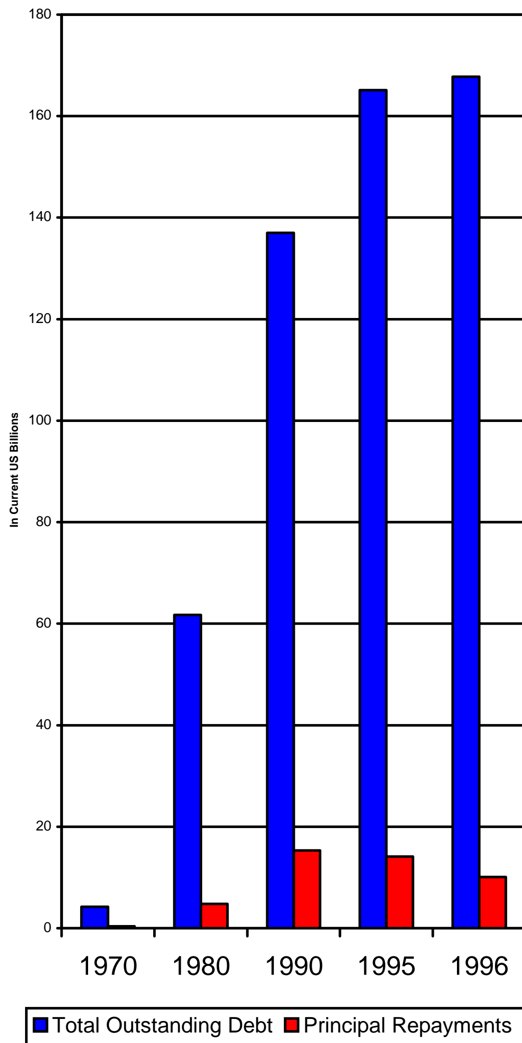
VI. Conclusion: The Past as Future

In his essay on "The Uncanny," Freud suggests that a variety of strange and bizarre experiences can be understood as the product of a blurring of the boundaries between the past and the present. Freud discusses a wide range of uncanny experiences. Thinking of this paper reminded me of one particular example he focuses on: unconscious repetition – the feeling that we have been somewhere before. When we have the sense that something has happened before, he claims, we are actually revisiting a repressed sentiment or phantasy. "If psychoanalytic theory is correct in maintaining that every emotional effect, whatever its quality, is transformed by repression into morbid anxiety, then the anxiety can be shown to come from something repressed which recurs. […] *for this uncanny is in reality nothing new or foreign, but something familiar and old-established in the mind that has been estranged only by the process of repression*" (Freud 2003).

In the boom-bust cycles of Arab economies, too, the past revisits the present, producing disorientation and fear; the post-oil future looms as a return of the pre-oil past. The future will be the past: the desert sweeps over the shiny buildings… all that has been built, collapses, the state of nature returns. The progeny of Nejdi fathers who used to sell their labor in Bahrain spawn great-grandchildren who are forced to do the same. All is temporary. All will eventually be as it was before. Arabs not only look back on the Golden Age; they are also, in a fashion, constantly looking forward to a pre-oil past.

Economists thinking about the region are also having the experience of the uncanny when, in adopting the mantras and dogma of the authoritative institutions of international capitalism they embrace phantasies whose unreality has long been

established. […] "*an uncanny effect is often and easily produced by effacing the distinction between imagination and reality, such as when something that we hitherto regarded as imaginary appears before us in reality, or when a symbol takes over the full functions and significance of the thing it symbolizes, and so on.*" An uncanny experience occurs either when repressed infantile complexes have been revived by some impression, *or when the primitive beliefs we have surmounted seem once more to be confirmed*" (161).



The notion of the uncanny struck me as particularly relevant when reading the Arab Human Development Reports (2002, 2003) where a group of Arab economists thoroughly indoctrinated in the ideology of the Washington Consensus, use Arab "tradition" and a selective vision of the Arab "past" to pronounce on the need for a completely imagined and unattainable future that appears in the uncanny guise of something called "Knowledge Society." Just as telemarketers from India call people with Indian names and proceed to try and sell their products by speaking Hindi, the commodification of identity is rife in current economic studies of the Arab world. There

is therefore a striking parallelism in the Arab fear of the return of the impoverished pre-oil past and the Arab economist's use of the "glorious" version of that past to promote a phantasy future reflecting the repressed wish for parity with the West. Reading contemporary texts on the Arab economy is thus as vivid an experience of the uncanny as is the reality that Arabs live every day.

The economies of the Arab world are, contrary to the prognoses of the authoritative bodies of economic governance, in a state of long-term crisis. They have, moreover, been in this state for more than two decades. Despite the astonishingly large flows of capital into the region, the region is deeply indebted. Almost all of the debt was accumulated after 1970, and it has continued to rise in the 1990s. Yet, as Figure X shows, repayments of debt have actually declined, suggesting that the debt burden on future generations will be high. Tax capacity is low, so budget deficits can only be made up by external sources. What is left to cut? According the World Bank, state employment continues to remain high in countries like Egypt, but as I showed above, salaries have declined sharply. Indebtedness can no longer be attributed to social spending since even food subsidies have been almost completely eliminated.

Figure X

Economists in charge of the production of authoritative knowledge on the Arab world should focus on two projects. First, they should engage in collective research projects focused on the local experiences of communities in the region. Second, they should be thinking about ways to attenuate the impact of macro-economic instability and flux on the lives of Arab citizens and expatriate workers. This is a tall order. Yet, the contemporary political climate in the United States expands the imagination: if

democracy can cure economic inequality, then anything is possible. To paraphrase Richard Nixon: “we are all economists now.”

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