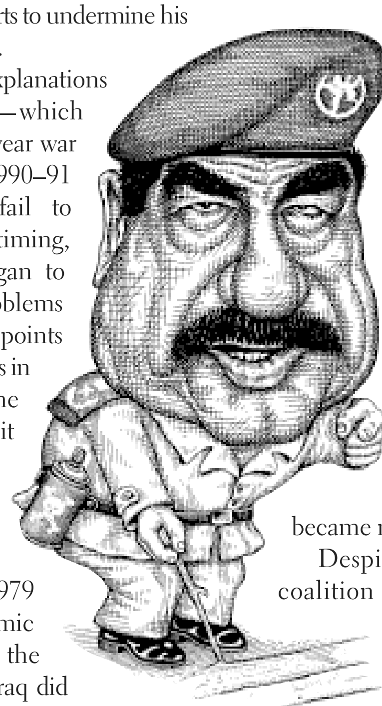
The Devil Made Him Do It

"Iraq's Decisions to Go to War, 1980 and 1990" by F. Gregory Gause III, in *The Middle East Journal* (Winter 2002), 1761 N St., N.W., Washington, D.C. 20036–2882.

Why did Saddam Hussein decide in 1980 to attack Iran and then, 10 years later, to invade Kuwait? The usual answer is that the Iraqi dictator mistakenly thought they'd be easy pickings. But Gause, a political scientist at the University of Vermont, contends that Saddam in both instances sought mainly to counter what he perceived as foreign efforts to undermine his grip on power at home.



The conventional explanations for Saddam's actions—which led to the costly eight-year war with Iraq and the 1990–91 Persian Gulf War—fail to account for their timing, Gause says. "Iran began to experience internal problems as early as 1977," he points out. "While the Shah was in power the Iraqi regime not only did not exploit his weakness, but sought to support his rule." Even after Shah Mohammad Reza Pahlavi fell in early 1979 and the new Islamic Republic devastated the Iranian officer corps, Iraq did not move to take advantage. "Only in September 1980," Gause writes, "after numerous statements by the new Iranian leaders encouraging revolt in Iraq, tangible efforts by Iran to encourage such revolt, and serious evidence of domestic discontent by Iraqi Shi'ites did Iraq go to war."

As for the 1990 invasion of Kuwait, Baghdad had long claimed the country as part of Iraq and had long enjoyed decisive military superiority. Indeed, had Saddam just waited a year or two, he would have possessed a small arsenal of nuclear weapons. So the timing made no sense. But Saddam felt under immense pressure to act as a result of what he believed to be "an international conspiracy" against Iraq. He blamed Iraq's economic woes in the wake of the war with Iran on "lower oil prices, which were in turn blamed on the 'overproduction' of Kuwait and the [United Arab Emirates], clients of the United States." Saddam saw other signs of U.S. hostility toward Iraq and also feared a new Israeli strike against his nascent nuclear establishment. "As he began to perceive that the future could hold serious challenges for his rule," says Gause, "his foreign policy became more aggressive."

Despite the buildup of American and coalition forces after Iraq's occupation of Kuwait on August 2, Saddam continued to believe he could avoid defeat. Even after the air war started in January 1991 he still refused to withdraw from Kuwait and seek a diplomatic solution. Why? Because, says Gause, the dictator did not believe that withdrawal would end the perceived "international conspiracy" to weaken Iraq and destabilize his regime.

Economics, Labor & Business

Engulf and Devour?

"Are Giant Companies Taking Over the U.S. Economy?" by Lawrence J. White, in *The Milken Institute Review* (Second Quarter 2002), 1250 Fourth St., 2nd fl., Santa Monica, Calif. 90401–1353.

The American merger and acquisition binge of the 1990s revived the old specter of an economy dominated by a relative handful of titanic corporations. Last year, the $181.6 billion AOL-Time Warner merger suggested that the creeping giantism is continuing.

Not to worry, says White, an economist at New York University's Stern School of Business. Whether you look at the biggest 100, 500, or 1,000 U.S. corporations, the result is the same: They have been growing "a bit more slowly" than the economy as a whole since the 1980s.

It is surprisingly difficult to get a true picture of what is going on. Data are fragmentary, and it is not at all clear how to measure corporate "bigness": sales? profits? payroll? Two key sources diverge markedly even on the number of mergers in recent decades, though both show that the number roughly quadrupled, to about eight million, during the 1990s.

White relies on two seldom-used indicators that he says have fewer flaws than others. *Forbes*'s surveys show that the 500 largest corporations measured in terms of profits and in terms of employment claimed a shrinking share of the total in each area between 1980 and 2000. Their share of profits, for example, decreased from more than 70 percent to less than 60 percent.

U.S. Census Bureau data confirm this trend. They show, for example, that the 1,000 biggest employers claimed virtually the same share of total employment (about 27 percent) in 1998 as they had 10 years earlier. (Firms with fewer than 500 employees saw their share shrink, which means that those in the middle recorded gains.)

The explanation? As fast as big corporations grow, White argues, the U.S. economy grows even faster. The 10 years covered by the Census Bureau study brought a net gain of a half-million new companies.

EXCERPT

Receding Recessions

The U.S. economy has endured many blows in its 225 years—wars with foreign powers, our own Civil War, the Great Depression, the assassination of four presidents, stock market crashes, racial strife, and more. Nonetheless, the country has survived, learned, and emerged stronger. Our stability is reflected in the economy, which today takes more steps forward and fewer steps back than at any time in history. A 25-year moving average of expansion versus contraction shows that for nearly a century—until the 1940s—the economy was in recession 40 to 50 percent of the time, taking one step back for nearly every step forward. From 1940 to 1982, our performance improved, and the frequency of recessions fell to an average of about 15 percent. More recently, the economy has shown even more stability, marching forward up to 90 percent of the time.

—From *Taking Stock in America*, the 2001 annual report of the Federal Reserve Bank of Dallas