

Comparison of Income distribution in Iraq with Germany, U.S.. Robert Gallagher *

Iraq has a degree of income equality higher than Germany and triple that of the U.S.A.

I measure degree of income equality by the ratio of the income or consumption share of the lowest income quintile of a population to that of the highest, which I designate in Table 1 as $\frac{Q_5}{Q_1}$.

The finding that income inequality in Iraq is low is not particularly new. The 2011 World Bank report *Confronting Poverty in Iraq* says that “Inequality in living standards is extremely low in Iraq.”¹ The Gini coefficient, which measures degree of income inequality, is only 0.29. The higher the Gini coefficient, the more inequality exists in a society. Compare Iraq’s 0.29 to 0.41 for the U.S.A.

The Bank adds that “The poverty gap index is extremely low compared to most other countries.” The poverty gap index is the average gap between poor people’s living standard and the poverty line, expressed as a percentage of the poverty line, so that the deeper the poverty on average the greater the poverty gap index. In Iraq that index is 0.4, in the U.S.A. a whopping 38. The Bank goes on to say that “No country at Iraq’s level of per capita GDP has a lower level of inequality” and “virtually all countries at Iraq’s level of GDP per capita have higher levels of inequality.”²

Those comments from the World Bank change the question. The interesting question is not: Does Iraq have low income inequality? But rather: Why does Iraq have low income inequality? And, what does this signify for Iraq? In brief, I claim that what this means is that there is a greater degree of *reciprocity* in Iraq than in the U.S. and other countries whose peoples suffer from a high degree of inequality.

Reciprocity, in Greek *antipeponthos*, is a term invented by Aristotle to name what he regards as the sine qua non of social health and welfare. Aristotle says that states are preserved by the practice of reciprocity in exchanges among their citizens.³ He emphasizes that what is just in

exchange is proportional, and therefore, “proportional reciprocity” holds together communities of exchange.⁴ Communities lacking reciprocity are unstable, for citizens who are exploited because of the absence of reciprocity in exchanges, “return evil for evil,”⁵ that is, resort to violence and civil strife. He explains that if citizens do not benefit each other in their exchanges, then “Giving-of-a-share (*metadosis*) does not occur, but it is by giving-of-a-share that they remain together.”⁶

The basic principle of Aristotelian “giving of a share” is that those better off assist those less well off by the proportion of their relative social status or wealth, so that an exchanger more wealthy or more powerful than her partner would agree to terms of exchange beneficial to the lesser. This accords with Aristotle’s foundational principle of justice expressed in the *Nicomachean Ethics*, namely that

- (1) “Justice is the only virtue that seems to be another person’s good, for it is related to another, for it does what benefits another”.⁷

Following that principle, Aristotle proposes in the *Eudemian Ethics* that it is just for a weaker party to demand and receive beneficial terms of exchange from an exchange partner who is better off, terms that are beneficial to the weaker and amount to a loss for the better off, who is compensated in some non-material way.

Clearly, Aristotelian reciprocity is not the kind of thing that many would be particularly keen on. Under Aristotelian reciprocity, you would not, for example, be supplied with the latest i-phone, nor with that cute Mini Cooper. But you would have a roof over your head, enough nourishing meals, and a job that connects you to your community. So, Aristotelian reciprocity is akin to collectivism. Indeed, a high degree of income equality is characteristic of centrally planned economies, e.g., the Soviet Union. $\frac{Q_5}{Q_1}$ was 30% in Russia in 1988, 35% in Hungary. Those figures fell to 8% and 25% by 1993 with privatization of state industries and increased exploitation of wage earners. As Professor Sassoon argues in his abstract, some would think that Iraq after “the mechanisms of authoritarianism have been shattered,” would move towards an

“open society”—like Poland, Lithuania or Latvia—where the poor have been savaged, as free-market capitalism took root.

But post-Saddam Iraq stands in contrast to post-Soviet Europe. Iraq’s 24% figure for income equality in 2007 is surprisingly high four years after the NATO attempt at forced privatization, and declines slightly only to 22.8% by 2012. Moreover, Iraq’s Consumer Price Index in 2012 was 40% higher than in 2007, and that could explain a *substantial* decline in income equality since 2007. The absence of such a decline indicates significant support for lower class living standards from the regime.

I claim that some sort of collectivism has been in effect in Iraq for several decades, through a system of the sort that Aristotle had in mind, mediated by the government, to make sure that the needs of the weaker are met at the expense of the wealthy, or in the case of Iraq, at the expense of government oil revenues. Drèze and Gazdar report in *World Development* in 1991 that “the government of Iraq has a long record of active involvement in health care, education, food distribution, social security and related fields. Notable achievements include free public health care for all, free education at all levels, food distribution at highly subsidized prices, and income support to ‘destitute’ households falling below a prespecified poverty line.”⁸

Those policies were extended a few weeks after the inception of sanctions in 1990 when Saddam Hussein established the Public Distribution System (PDS) for management of food rationing. The Public Distribution System has continued to function after the fall of Saddam and is presently the object of various proposals for revision that are not worth discussing here.⁹

In its chapter on the low inequality in Iraq, the World Bank report in 2011 said that the Public Distribution System is “enormous” and “reaches 99 percent of the population, providing 85 percent of the required calories.”¹⁰ The details of the system are described by Drèze and Gazdar. For the purpose of this conference, I just repeat their finding that “every resident household in Iraq is entitled to a ration card. The Rations are identical for everyone throughout the country, irrespective of age, sex, region, nationality or any other criterion.”¹¹

But does the Public Distribution System have anything to do with income equality in Iraq? Are the PDS transfers included in the income data that compose income quintiles? In response to my email inquiry, the World Bank replied “Yes, the income variable, and therefore the quintiles, include public and private transfers (including remittances, pensions, SSN and PDS).”¹²

In addition to the Public Distribution System, the post-conquest regime in 2004 established the Social Protection Net, which provides roughly Iraqi dinar 10,100 per month to the disabled, orphans, widows, families of the imprisoned or missing, internal refugees, and others. That amounts to nearly as much as the value of the PDS food transfers.¹³ What I find interesting about the Social Protection Net, is that it continues the collectivist policies of Saddam in a new way. In other words, despite the ugly Anglo-American assault on Iraq over the past 12 years, the Iraqis have continued their collectivist, social policies. This is perhaps what has enabled the Iraqi people to survive over the past 25 years since the inception of sanctions.

Returning to the questions that we asked at the outset: Why does Iraq have low income inequality? The answer, at least in part, is because the Iraqi government has for decades intervened in the economy to promote and actualize equality, and continues to do so.

And what does this signify for Iraq? From the standpoint of Aristotle, it signifies that Iraq has a greater degree of reciprocity than many advanced countries. This, I am sure, will not at first impress pundits of Western self-satisfaction, who prefer the “free enterprise” of trading a mobile phone for a boy’s kidney in China. Yet, I suggest they sit up and take notice of a possible explanation for resilience in the Iraqi people. Social justice does not mean establishing a neo-liberal state and economy for the petit-bourgeois to enjoy. Rather social justice means an equitable distribution of the necessities of life to all in need.

With Table 2, I contrast the state of social equity in the neo-liberal USA with that of 1980s Russia. Figure 1 shows that social equity and reciprocity have plummeted in the USA since the onset of the Reagan administration. By contrast, in the Soviet Union, which Reagan named “the evil empire,” social equity and reciprocity in 1988 were 3 ½ times that of the U.S.

For those reasons, I suggest criticisms of so-called authoritarian regimes be more nuanced. In some respects, conditions in so-called open-societies are dreadful compared to those under some authoritarian regimes. Perhaps it is for that reason that Iraq continues to defy NATO demands that it become “an open society” and abandon state-directed policies.

Table 1. Equality/inequality of income & consumption, three countries,

	$\frac{Q_5}{Q_1}$	Gini	PGI (%)
Iraq	24.3	0.295	0.45
Germany	20.5	0.306	29.7
U.S.A.	6.8	0.41	38.3

Data: $\frac{Q_5}{Q_1}$ = ratio of income share of lowest quintile of population to that of highest, percentages. For $\frac{Q_5}{Q_1}$ data is from World Bank (WB) & U.S. Census Bureau for 2007 or 2008; for Gini, from WB: Iraq 2012, Germany & USA, 2010; for PGI (Poverty gap index) data from WB and OECD, for Iraq, 2007, Germany, 2010, U.S.A. 2010.

Table 2. Social equity, U.S. and Russia, 1988

	$\frac{Q_5}{Q_1}$
U.S.	8%
Russia	29%

Reciprocal Social Welfare—U.S.A.— steadily on decline since 1976

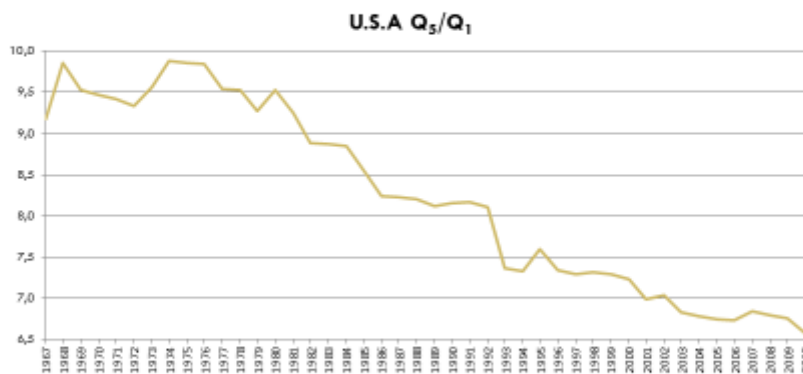


Figure 1. Ratio of income share of lowest quintile of population to that of highest. Figures on abscissa in percentages.

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Notes

¹ P. 15.

² P. 19.

³ "Reciprocal equality preserves city-states" (*Pol.* ii.2.1261b30).

⁴ *EN* v.5.1132b31.

⁵ Cf. 1132b33f.

⁶ *EN* 1133a2-7

⁷ *EN* 1130a3-4

⁸ Vol. 20, #7: 921-45, p. 929.

⁹ Cf. World Bank (2011), pp. 72-5; USAID, "Transforming the Iraqi Public Distribution System into a dynamic economic development tool," Agricultural Policy Dialogue Series #11, Jan. 2011; and others.

¹⁰ P. 72

¹¹ P. 929.

¹² Email communication from World Bank Data staff member Azita.

¹³ Cf. World Bank (2011), 75-6.