

**ECO 371-11, POLITICAL ECONOMY OF IRAQ**  
**Frank R. Gunter PhD**  
**Spring Semester 2010, Lehigh University**

Lectures: Tuesday and Thursday, 1:10 – 2:25 PM

Office: Rauch Business Center, Room 470

Hours: Wednesday, 2:10 – 5 PM and by appointment

Phone: (610) 758-4540 (Warning – I'm very slow at returning phone messages! You are usually better off sending an email.)

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**Course Description:**

Political-Economy of Iraq (3) is an examination of the economic, political and social forces at work in Iraq with emphasis on the post-2002 period. Major topics include petroleum production and transport, corruption, education and other forms of human capital accumulation in an Islamic state, the agricultural transition, the rural-urban divergence, the economic impact of the ongoing conflict, unemployment and underemployment, poverty and population, the economic and political role of the state owned enterprises, the informal economy, traditional banking and micro-finance, and the inconsistencies between current political and economic development policies. Course concludes with a discussion of the possible futures for the Iraqi economy. Prerequisite: ECO 303 OR ECO 105 and ECO 119 OR permission of instructor.

**Issues:**

Research on the Political Economy of Iraq since the 2003 invasion is complicated for two reasons. First, the country is in the midst of widespread uncoordinated institutional change. The pre-war socialist structure is evolving into a market-oriented economy but progress is extremely uneven. In some sectors such as energy, the former statist institutions still dominate. While in others, such as agriculture, the market has already become the primary coordinating system. However, there are sectors including construction where the old and new paradigms dispute for control.

Second, economic data is not only scarce but also generally unreliable. Pre-2003, Iraq used socialist accounting methods similar to those used by the former USSR. The transition to a more complete modern accounting is incomplete and data gaps are common. In addition, the Saddam regime distorted economic data in an effort to influence domestic and international audiences. The 2003 invasion and the subsequent insurgency exacerbate the problem of quality data. It is sometimes dangerous to collect even commonplace information such as household employment. Data believed to put one side or the other in a bad light is distorted or withheld.

In order to get to the truth about the current political economy of Iraq, we will examine it using a variety of sources within the context of both economic development theory and the experiences of other developing countries in similar situations.

### **Text and Readings:**

Richards, Alan and John Waterbury (2008) *A Political-Economy of the Middle East*, Boulder, Colorado: Westview Press. ISBN: 978-0-8133-4348-8.

The reading list will evolve during the semester. Most readings will be available on Blackboard or on reserve at the Fairchild-Martindale Library. Some assigned readings will be distributed in class.

*If you did not take Eco 303: Economic Development then please read all fourteen chapters of Easterly's Elusive Growth before February 16th.* Easterly does not have all of the answers to the challenges of economic development but he certainly asks all of the right questions.

Easterly, William (2001) *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics*, Cambridge, Massachusetts: MIT Press. ISBN: 0-262-55042-3

### **Topics:**

#### **1. January 19-21: Background**

- a. Overview of post-invasion Iraq
- b. Geographic Setting and Environmental Conditions
- c. Short Political History of Iraq and Its Neighbors
  - i. Pre-1979
  - ii. Saddam's Reign
  - iii. Post-2003
- d. The Role of Islam
- e. Impact of Tribalism

#### **2. January 26-28: Overview of Iraq Economy**

- a. Real Growth
- b. Unemployment
- c. Inflation
- d. External Balance

#### **3. February 2-4: Population Characteristics**

- a. Population Growth, Age Distribution
- b. Gender and Labor Force Participation

- c. Education and Human Capital
- d. Poverty and the Consequences of Poverty
- e. Health Care
- f. Rural-Urban Divide

4. **February 9-11: Corruption and Bureaucracy**

- a. Long-term Causes of Corruption
- b. Policy-related Causes of Corruption
- c. Corruption and the Bureaucracy
- d. What Can be Done to Reduce the Impact of Corruption

5. **February 16: Conflict and Development**

- a. Counterinsurgency and Economic Development
- b. Symbiotic Relationship Between Insurgency and Corruption
- c. Timing Issues Related to Essential Services and Economic Development
- d. Efficiency versus Effectiveness
- e. Coordination Difficulties

KEY SECTORS

6. **February 18-23: Petroleum**

- a. Economics of Petroleum
- b. Iraq's Oil and Gas Reserves
- c. Exploration, Refining and Shipment
- d. Impact of Petroleum on the Future of Iraq

7. **February 25, March 2: Agriculture**

- a. Water, Soil and Farmers
- b. Why the Fertile Crescent Is Importing Food
- c. Constraints on Agribusiness

8. **March 4: Financial Intermediation**

- a. Regulatory Environment of Financial Intermediation
- b. State-Owned and Commercial Banks
- b. Microfinance Institutions
- c. Corporate Finance and the Stock Exchange
- d. Insurance and Pensions

**March 8-12: Spring Break**

8. **March 16: Financial Intermediation (continued)**

## **March 18: Mid-term Exam**

### **9. March 23: State Owned Enterprises**

- a. Overview of SOE
- b. Joint Ventures, Privatizations and Closures

### **10. March 25-30: Informal and Legal Business**

- a. Regulatory Environment for Private Businesses
- b. Overview of Legal Businesses
- c. Benefits and Costs of Being Informal
- d. Role of Entrepreneurship

### **11. April 1-6: Essential Services**

- a. Electricity, Fuel, Water and Food
- b. Transportation and Communication Infrastructure

### **12. April 8-13: Iraq and the World Economy**

- a. International Trade
- b. Foreign Investment
- c. Foreign Debt
- d. International Organizations (World Bank, IMF, WTO)

## POLICY ISSUES

### **13. April 15-20: Fiscal Planning and Execution**

- a. National Development Strategy
- b. Capacity to Plan and Execute Budget
- c. Role of the Ministries
- d. Local, Provincial and Regional Government

### **14. April 22-27: Monetary and Exchange Rate Policy**

- a. Monetary and Exchange Rate Policy

### **15. April 29: Iraq 2025 – Three Scenarios**

- a. Is Statism Inconsistent with Democracy?

## **Grading:**

Mid-term Exam (March 18) 30%

I will provide a list of ten essay questions a week in advance. The mid-term exam will be on four of those questions.

Attendance and Participation 30%

Active participation is critical. While the beginning of the course will be mostly “chalk and talk”, it will evolve into a seminar especially after the mid-term. Each student will also be required to prepare and present one (or more) one-page summaries of assigned articles or studies.

Essay 40%

Each essay should be a detailed discussion of a key sector or issue of the political economy of Iraq.

February 23<sup>rd</sup> - Topic choice and outline (one page): 10%

March 25<sup>th</sup> - Discussion of sources (one page plus attachments): 10%

April 29<sup>th</sup> - Essay (2,500 words excluding tables, references, etc.): 20%