

ECO 345: POLITICAL ECONOMY OF IRAQ
Frank R. Gunter PhD
Spring Semester 2012, Lehigh University

Lectures: Tuesday and Thursday, 10:45 AM – Noon, RB 261

Office: Rauch Business Center, Room 470

Hours: Tuesday, 4 – 7 PM and by appointment

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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:

Gunter, Frank (2013) *The Political-Economy of Iraq*, Edward Elgar Press, forthcoming.

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. Readings will be available either on Lehigh University's online Course Site, on reserve at the Fairchild Martindale Library, or distributed in class.

Topics:

1. January 17-19: 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

Readings:

Gunter (2012) Iraq Background (Slides)

Richards and Waterbury (2008) Chaps. 1 & 2

UNEP (2005) *Assessment of Environmental 'Hot Spots' in Iraq*, Nairobi, Kenya: United Nations Environment, Chap 3

Patai, Raphael (1983) "The Arabs & The World" *The Arab Mind*, Recovery Resources Press, Chap 1, pp. 9-14.

Patai (1983) "Under the Spell of Language" *The Arab Mind*, Recovery Resources Press, Chap 4, pp. 43-77.

Sixty Guidelines for Living a Life as Written in the Qur'an

Economist (2009) "Waking from Its Sleep: Special Report on the Arab World" July 25, pp. 1-16.

2. January 24-26: Overview of Iraq Economy

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

Readings:

Gunter (2009) Employment and Unemployment (Slides)

IMF SBA Staff Report 16Mar10 PDF document

Iraq Economy in Seven Slides file
Richards and Waterbury (2008) Chap. 3
Rivlin (2009) Arab Economies in the 21st Century, Chap 6: Iraq PDF document

3. January 31 - February 2: 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

Readings:

Gunter (2009) Hard Choices for Iraq Education (Slides)
Richards and Waterbury (2008) Chap. 4, 5 & 10
COSIT (2008) Iraq Household Survey Vol. II

4. February 7-9: 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 about Corruption?

Readings:

Gunter (2011) "Corruption" Chap 4.
Corruption: Costs, Causes and Cures
Banarji (2006) Favoritism and Nepotism
Black Market Fuel Prices January 2010

5. February 14-16: 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

Readings:

Gunter (2012) Conflict and Development (Slides)
Gunter (2007) "Economic Development during Conflict: The Petraeus-Crocker
Congressional Testimonies" *Strategic Insights*, Vol. VI, Issue 6.
Richards and Waterbury (2008) Chaps. 11 & 12
Visser, Reidar (2010) "Blacklisted in Baghdad" *Foreign Affairs*, January.

6. February 21-23: 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

Readings:

Gunter (2011) "Oil and Gas" Chap 6
 Gunter (2009) Petroleum Production, Exports and Refining
 Cordesman & Al-Rodhan (2006) Energy Development in Iraq
 There Will be Oil Jan10
 Chalabi (2002) Oil Capacity of Post-war Iraq
 Unsettled Issues April 2010

7. February 28 - March 1: Agriculture

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

Readings:

Gunter (2011) "Agriculture and PDS" Chap. 7
 Gunter (2010) Iraq Agriculture file
 Richards and Waterbury (2008) Chap. 6
 Ahmad (2002) Agricultural Policy Issues
 Mahdi (2002) Iraq's Agrarian System

March 5-9: Spring Break

Mid-Term Exam, March 13th (Tuesday)

8. March 16-20: Financial Intermediation

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

Readings:

World Bank (2011) *Financial Sector Review*, Washington DC: World Bank, Executive Summary and Chapter II.
 Gunter (2009) Microfinance in Iraq
 Sundahl (2007) Iraq, Secured Transactions and the Promise of Islamic Law

9. March 22-27: State Owned Enterprises

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

Readings:

Gunter (2010) "State Owned Enterprises" Chap 9
Richards and Waterbury (2008) Chaps. 7 & 8
Al-Khudayri (2002) Iraq's Manufacturing Industry
SOE Privatization Challenges

10. March 29 – April 3: Entrepreneurship

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

Readings:

Gunter (2011) "Entrepreneurship" Chap 10
Entrepreneurship file
Richards and Waterbury (2008) Chap 9
Chaudhry (2002) Market Failure

11. April 5-10: Infrastructure and Essential Services

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

Reading:

Gunter (2011) "Infrastructure" Chap. 11

12. April 12-17: Iraq and the World Economy

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

Readings:

Richards and Waterbury (2008) Chap. 15
Jiyad (2002) Iraq's Foreign Debt

13. April 19-24: Fiscal, Monetary & Exchange Rate Policies

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

Reading:

Fiscal and Monetary Overview

14. April 26: Iraq 2025 – Three Scenarios

a. Is Statism Inconsistent with Democracy?

Readings:

Khalil (2010) Plan to Rebuild Iraq

Richards and Waterbury (2008) Chaps. 13 & 14

2010 Iraq Briefing Book with Recommendations PDF document

Grading:

Mid-term (March 13th) 30%

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

Attendance and Participation 25%

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 45%

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

February 28th - Topic choice and outline (one page): 10%

March 27th - Discussion of sources (one page plus attachments): 10%

April 26th - Essay (2,500 words excluding tables, references, etc.): 25%