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THE ECONOMIC GROWTH OF IRAQ:

THE POLE OF OIL REVENUES, GOVERNMENT
POLICIES AND STRATEGIES SINCE 1950

by

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SUMMARY

Iraq has common characteristics with many developing countries, but differs in its huge natural resources, particularly oil. Iraq's dependence on agriculture as the main source of income was shifted to oil when the government reached an agreement with foreign oil companies to share profits on a fifty-fifty basis in 1952. Since then there has been a feeling that the government should promote development in order to turn the current yield into a continuing future productive capacity in other economic activities, because oil is a diminishing resource. In order to achieve this goal various economic policies and strategies were adopted by different governments. In 1951 the government therefore established the Development Board and in 1953 the Ministry of Development. After 1958 these were replaced by the Economic Planning Board and the Ministry of Planning. To implement the economic policies and strategies, during the period under discussion, many economic plans and programmes were drawn up. The intervention of the government in economic activities started on a small scale during the 1950's; it became larger in 1964 after the nationalization of some industries, banks and insurance companies; became comprehensive and extended to all economic sectors during the 1970's particularly after oil nationalization in 1972. Thus the public sector emerged as the leading sector of the economy.

It is the aim of this Thesis to assess the impact of oil, economic policies and strategies, planning and the role of government on the development of Iraq since 1950. To achieve this aim estimates were made of the rates of growth of national income, output by economic sectors, capital formation according to asset and economic sector, consumption (private and government), labour force, productivity and wages. The period of the study 1953-1978 was divided into three sub-periods: 1953-1958, 1959-1968 and 1969-1978. The main contributions in this Thesis are: to formulate 'implicit price deflators' for the period 1953-1978 at 1964 constant prices for national income, GDP according to economic sectors, capital formation according to asset and economic sector and for consumption, and to provide measures of income distribution in rural and urban areas and for Iraq as a whole.

During the life span of the Development Board (1951-1958) the policy was concentrated on flood control and infrastructure projects, almost neglecting the industrial sector. During the first half of the 1960's the policy was in favour of industrialization, while in the second half it was in favour of both agriculture and industrialization. After 1968 the government sought to bring about a socialist reconstruction of society; accordingly it amended the agrarian reform of 1958 in the year 1970. This Law also failed, as did the first one, in achieving the required social and economic aims, and consequently the government

shifted its agricultural policy and concentrated its efforts on establishing state farms, collective farms and cooperatives as the leading agricultural organizations in the sector. They did this to overcome the many problems facing small agricultural production units. After the nationalization of oil in 1972 the government shifted its industrial policy towards widening the industrial base by establishing new industries particularly oil and petrochemicals.

The pattern of economic growth during the previously mentioned three sub-periods indicates that Iraq attained the highest rates of growth during the third period, particularly after the nationalization of oil in 1972. Substantial structural changes have also taken place since 1972, and the decline in the importance of agriculture coupled with the rapid development of other sectors suggest that the country may be on the verge of 'take-off'.

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