INTERPRETING THE MIDDLE EAST

Essential Themes

edited by

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THE POLITICAL ECONOMY OF MODERN IRAQ

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What is political economy and why is it important in the study of Iraqi politics? Political economy is an appropriate conceptual approach for understanding not only Iraqi politics but also political processes generally. Having been established during the latter part of the eighteenth century, political economy is not a new approach. In this chapter, I draw upon some of the insights it offers to examine aspects of Iraqi politics that other approaches often neglect. A political economy approach not only illuminates developments in the Iraqi political system that are often ignored, but it also can help us better comprehend critical processes that have significant consequences for the larger Middle East.

Political economy may be defined as a conceptual approach that studies the impact of the interaction of political and economic variables on political processes. There are two major traditions in political economy, both of which draw upon Adam Smith’s classic study An Inquiry into the Wealth of Nations. Smith’s goal was to demonstrate that the wealth of nations did not lie in Mercantilism—the idea of establishing foreign colonies and exploiting them for their natural resources. Rather than plundering colonies for their gold, silver, and other precious resources, Smith argued, productivity was the key variable in developing a country’s economy and wealth. However, he felt that England’s traditional political elites, namely the monarchy and large landowners, attempted to use the state to hinder increased entrepreneurial activity and the productivity that ensued, in favor of more parasitic economic behavior, especially implementing mercantilist policies abroad and collecting rents on agricultural land in the domestic economy.
Smith attempted to answer the question "What gives a product its value?" in two ways. On the one hand, Smith argued for a labor theory of value, where a product's value is determined by the amount of labor embodied in it. On the other hand, he also developed a utility theory of value, where market demand determines a product's value. These ideas structured two political economy traditions. Theorists such as David Ricardo, Karl Marx, and others built on the labor theory of value to develop a structural and holistic approach to the study of macroeconomic processes and their impact on political change. A different school of thought, developed beginning in the late nineteenth century by such economic thinkers as William Stanley Jevons, Léon Walras, and Alfred Marshall, focused on microlevel foundations of economic change. Depending on what tradition is chosen, political economy can explain much of both macrolevel and microlevel processes of change.

The first model of political economy assumes that explaining outcomes that affect the entire political system must account for the impact of large-scale structural processes of change. Examples of such processes include extensive rural-to-urban migration caused by changes in a country's agrarian system, major redistribution of income based on the state's restructuring of taxation policies or even seizure of private property, the discovery of significant new mineral resources, such as reserves of oil and natural gas, that allow a country to improve its domestic economic performance, or major changes in trading patterns that either enhance or undermine a political system's stability.

The "big picture" approach that is central to political economy requires a holistic analysis that incorporates a wide variety of structural variables derived from the type of developments mentioned above. It also requires a historical approach because large-scale structural changes invariably are conditioned by developments that occur over lengthy periods of time. The historical approach that is a corollary to political economic analysis in turn necessitates a conceptual periodization of time. In other words, we need to delineate the particular characteristics of "conceptually bounded" temporal periods in order to isolate those variables that subsequently cause significant political, social, and economic change.

The second model of political economy focuses on individual actors rather than groups and large-scale structural developments. Economic and political actors are conceptualized as "utility maximizers" whose preferences and behavior are conditioned by a cost-benefit calculus. Actors weigh the costs of their behavior against the benefits or positive outcomes they expect to receive. The focus here is on the preferences or psychology of the individual actor and what motivates her or him to behave in certain ways. This approach led to the "economic theory of politics," perhaps best articulated in Anthony Downs's An Economic Theory of Democracy. In this chapter, I am less interested in which of these two political economy approaches is theoretically preferable than in demonstrating how, when used in tandem, they can offer an effective analytic strategy for understanding a political system such as that of Iraq. Combining insights from both macrolevel and microlevel analysis can help explain much about political processes.

Political economy has been accused in both its macroanalytic and microanalytic approaches of reducing politics to economics. This not only is a simplification of the approach, but also ignores the fact that many political economists have demonstrated that political variables are often causative, bringing about major changes in a country's economy. One need only think of Franklin Roosevelt's New Deal of the 1930s to realize that the "causal chain" is by no means unidirectional. During the Great Depression, economics affected politics but politics likewise affected economics. Other critics argue that political economists ignore human agency. While this has been true in certain instances, that is not the manner in which political economy is understood and deployed in this chapter. Whereas political economic variables may establish the "necessary conditions" for political change, human agency must always provide the "sufficient conditions." Put differently, without political actors mobilizing support for political decisions and policies, change cannot occur, no matter what types of structural conditions exist.

THE ARGUMENT IN BRIEF

Iraq's integration into the world market during the late nineteenth and early twentieth centuries was part of a long-term process of European economic and ultimately political encroachment on the Middle East. This process culminated with Great Britain's occupation of Iraq after invading the country in 1914 and defeating the forces of the Ottoman Empire, which collapsed in 1918. Reneging on promises made to Iraqis that it had intended their country to bring about its independence, not to control it, Britain found itself confronted by a large uprising in 1920. After suppressing the uprising at great cost, the British imposed a monarchy on Iraq through a rigged referendum in August 1921. Great Britain's handpicked king, Faisal I (1921–1933), a member of the Hashemite clan of the Quraysh tribe that traced its social origins to the house of the Prophet Muhammad, controlled the two Muslim holy cities, Mecca and Medina. His father, the shahb of Mecca, Hussein bin Ali, had negotiated with the British to lead an uprising against the Ottomans in exchange for an independent Arab state once World War I ended. Faisal, who led what came to be known as the Arab Revolt (1916–1918) against the Ottomans in the Hijaz and Levant, was seen by most Iraqis as an agent of British rule in Iraq. Consequently, the Hashemite monarchy lacked legitimacy throughout its rule. British attempts to control Iraq, first through a League of Nations mandate (1920–1932) and then through indirect rule by British advisers in Iraqi ministries, and
to maintain local air bases, evoked a powerful nationalist response that ultimately led to the Iraqi army overthrowing the monarchy in July 1958.

The discovery of oil in 1927 only increased Western interest in Iraq. The struggle for control of this critical national resource intensified nationalist protest. However, Iraqis fought not only colonial rule but also among themselves over the definition of political community, creating additional political instability. Two competing definitions vied for dominance. One emphasized Iraqi or *watan* nationalism, namely a focus on strengthening Iraq economically and politically as a nation-state. The other, pan-Arabism or *waqmi* nationalism, sought to make Iraq part of a new pan-Arab state that would purportedly recreate the glories of the early Islamic empires.  

A decade of instability between 1958 and 1968 resulted in Saddam Hussein's Baathist regime, which ruled Iraq until 2003. A twentyfold increase in oil prices between 1972 and 1980 allowed the Baathist regime to develop a highly repressive security apparatus and to co-opt a large segment of Iraq's intellectual and professional classes. The massive influx of oil revenues enabled the regime to develop powerful and modern armed forces, which it used to initiate two major conflicts, the Iran-Iraq War (1980–1988) and the Gulf War of 1991. The massive uprising (Intifada) that followed Iraq's defeat in the Gulf War, and the repressive sanctions the United Nations imposed on Iraq after the Gulf War, until 2003 as a result of the country's weapons of mass destruction program, created great suffering for the Iraqi people, making the attempted transition to democracy after the United States' overthrow of Saddam Hussein's regime in 2003 all the more difficult.

THE POLITICAL ECONOMY OF AGRARIAN TRANSFORMATION

Drawing upon political economy, the most important concept for understanding major political, social, and economic change in Iraq is its integration into the world market and that of the larger Middle East. In Iraq, this process had a major impact on transforming Iraqi social structure, which in turn had a significant impact on the rise of the Iraqi nationalism and nationalist movements. In terms of structural change, the causal chain is thus quite clear.

Nominally, Iraq remained a province of the Ottoman Empire until it collapsed in 1918. However, as the nineteenth century progressed, Iraq's economy increasingly became tied to and dependent upon the world market dominated by the industrializing states of Western Europe, especially Great Britain. The extent to which Iraq was integrated into the world market by the end of the nineteenth century was clear from the fact that, by 1914, Western Europe accounted for 70 percent of its foreign trade. Already during the 1860s, British steamers began plying the Tigris River, indicative of Britain's growing interest in Iraq's economic affairs. While petroleum usually comes to mind as Iraq's most significant economic resource, it did not become an important component of the economy until after its discovery in 1927. The British-owned Iraq Petroleum Company (IPC) assumed a central role in the Iraqi economy and heavily influenced the Iraqi national movement and political protest and change. Iraq's oil industry further tied Iraq to the European and the world market, a relationship that still exists to this day.

Although no longer a major determinant of Iraq's gross domestic product (GDP), the agrarian system, which provided the bulk of Iraq's revenues until the 1930s, constitutes the beginning of any analysis of Iraq's modern political economy. The military and economic pressures exerted upon the declining Ottoman Empire during the late 1800s provided a strong incentive for attempting to extract greater economic resources from its remaining Arab provinces, such as Iraq. Thus the Ottomans strove to sedentarize Iraq's large tribal population during the latter half of the nineteenth century so they could collect taxes on agricultural land and produce. However, the empire also offered an important incentive, especially for the tribal leader (shaykh). For tribes that were willing to switch to agricultural production rather than traditional pastoral and animal husbandry pursuits, tribal shaykhs were given the opportunity to obtain partial title to the lands their tribes farmed. For the Ottomans, the resulting increase in tax revenues could be used to modernize the empire's military and hence more effectively confront European colonialism. For the shaykh, the new policy offered the right to become a powerful and wealthy landowner.

An unintended consequence of the large-scale socioeconomic change that the Ottomans set in motion was to significantly transform Iraq's rural social structure, especially the manner in which tribes were organized. A key change was the transformation of the tribal shaykh, who came to think of himself as a landowner and to view his land as a source of profit. The commercialization of the land among tribes that exchanged pastoral pursuits for sedentary agriculture dramatically altered the relationship between shaykh and tribesman as the economic and social distance between them increased. The egalitarian norms that had characterized the traditional pastoral tribe now were replaced by a social hierarchy based, in effect, on social class norms rather than those of tribal solidarity. As tribesmen became peasants and were increasingly exploited by the shaykhs, resentment and conflict developed within what was now a peasant-landlord relationship.

The tensions between shaykh and peasant were further exacerbated by the tendency of wealthy shaykhs to move to urban areas and to hire agents to collect rents and administer their rural land holdings. Known as *siraks*, these agents came to be hated by the peasantry for their lack of interest in anything beyond extracting as much tax revenue as possible from the peasantry. As exploitation increased, peasants too began to leave the land and migrate to large
urban areas, such as Baghdad and Basra. This migration of peasants, especially from the south of Iraq, became a flood during the 1940s and 1950s, setting the stage for considerable political change, especially after World War II.

Another Ottoman response to increased European economic, military, and political pressures was to expand the military. One mechanism for accomplishing this end was to increase the size of the army and seek Imperial Germany’s assistance in training it. This process had a significant impact on Iraq as the Ottomans recruited large numbers of junior officers from their Arab provinces for training in Istanbul. Thus another dimension of the Ottoman efforts to halt European colonial intrusion on the empire was to socially and politically mobilize elements of Iraq and other Arab provinces by incorporating them into the Ottoman military.

The Young Turk Revolt of 1908, which brought the Committee of Union and Progress (CUP) to power, was based on a new generation of reformist army officers. In addition to modernizing the military, they sought to impose European notions of nationalism and political organization on the Ottoman Empire. Instead of emphasizing the traditional Ottoman policy rooted in the shared Islamic identities that had provided the “social cement” designed to unite Turks, Arabs, and Kurds within the empire, the CUP adopted a “Turkification” policy. Imitating the European model that assumed that all modern nation-states shared a single language and historical-cultural heritage, the CUP sought to emulate what it saw as the formula for Western progress and development. This break with traditional Ottoman policy required a greater emphasis on the use of Turkish within the empire’s remaining provinces. In Iraq, the emphasis on Turkish culture created major social disruption as Iraqis found themselves pressured to change their nascent educational system from Arabic to Turkish language instruction. More significant, the new emphasis on Turkification forced Iraqis of Arab, Kurdish, and other ethnic origins to question their social and political identity. It is not surprising that the rise of the modern Iraqi nationalist movement can be dated to the period right after the 1908 revolt.

The induction of significant numbers of Arabs into the Ottoman officer corps promoted the rise of Arab nationalism. Not only were Arab officers, as well as bureaucrats and intellectuals who were educated and trained in Istanbul, forced to question their identity, but the spread of European ideas of nationalism by the CUP affected them as well. A large number of secret societies devoted to local provincial and pan-Arab nationalism were established in Istanbul and in Iraq and the Levant. The most famous of these was the Covenant (al-Abd), which included Arab officers and established branches in Syria and Iraq. From a political economy perspective, it is clear that not only did European encroachment on the Middle East affect the regional economy, but also it had a significant effect in stimulating new forms of political organization, political culture, and nationalism and nationalist organizations.

The history of British efforts to generate an uprising against Ottoman forces among the Arab tribes of the Hijaz after the onset of World War I is well known. The Arab Revolt of 1916–1918 included large numbers of Iraqi and Levantine offers who had been trained, ironically, by the Ottomans. Although the Arab Revolt did not result in the creation of an Arab state as had been promised to the sharif of Mecca in the Hussein-McMahon correspondence, the British did create a pro-British monarchy in Iraq under the rule of the new Hashemite monarch, King Faisal I.

A second concept that can be derived from the political economy of Iraq’s integration into the world market and European colonial intrusion in both the Ottoman Empire and, after its collapse in 1918, directly into the Arab world is a change in identity politics. The social structural changes set in motion by the conflict between the declining Ottoman Empire and rising European colonial influence in the Middle East forced Iraqis to confront new forms of social and political identity. When the British occupied Iraq in 1917 and refused to cede political independence to Iraq, as they had promised all Arabs once the Ottoman Empire had been defeated, a massive uprising occurred, the June–October 1920 Revolution, in which members of all Iraq’s religious confessions and ethnic groups united to oppose British rule. While the uprising was suppressed, at great human and financial cost to the British, it did result in the creation of a powerful nationalist movement that continued to challenge British influence in Iraq until the overthrow of the Hashemite monarchy in July 1958.

Iraq had become not only economically important to the British by the end of the nineteenth century but also strategically important as a conduit to India, the crown jewel of the British Empire. The collapse of the Ottoman Empire facilitated greater control of the Middle East by the two great colonial powers, Great Britain and France. The entire region’s importance increased once oil was discovered in Persia (Iran) in the first decade of the twentieth century and after the British switched from coal to oil power for their naval fleet in 1911.

Another element of political economy that emerges from our analysis is that of resource dependency. Once oil was discovered in several areas of Iraq in 1927, and then the Arabian Peninsula in the 1930s, the British became more closely tied to and politically involved in Iraq’s internal affairs and those of other Arab oil-producing countries. Plentiful, of high quality, and relatively easy to extract, especially in the south, oil extracted by the Iraq Petroleum Company became a major component of Iraq’s economy. That the company was British controlled, and paid the Iraqi government relatively small royalties for each barrel it extracted, was a constant source of political tension. It is not surprising that oil was a key factor in energizing the nationalist movement, which reached the height of its strength during the 1950s.

It can be argued, then, that Iraq’s and the larger Middle East’s integration into the world market during the late nineteenth and early twentieth centuries
caused not only major economic but political and social change as well. It led to the political and ideological restructuring of the Ottoman Empire, which in turn stimulated Iraq’s search for a new form of political identity, given their inability and/or lack of desire to become integrated into the empire’s new Turkish cultural identity. The collapse of the Ottoman Empire facilitated Great Britain’s further expansion of economic and political influence in Iraq, allowing it to establish a monarchy to implement its interests in the country. Increasingly, British control over Iraq’s political economy, especially in light of Iraqi expectations of political independence after the war’s end, stimulated the creation of a powerful nationalist movement that was ethnically and religiously inclusive.

Ironically, it was Britain’s development of Iraq’s economic infrastructure, set in motion the conditions for major political opposition to it. Creation of a national railway system was accompanied by the rise of a strong railway workers union. Development of the port of Basra, Iraq’s only outlet to the Persian Gulf, resulted in a powerful port workers union. Most significant of all was the development of a large oil workers union, both at the point of production—the oil well—and in building the pipelines that carried Iraq’s oil across the western desert through Jordan and Palestine, through Turkey to the north, and to the Persian Gulf in the south. In the 1940s, these unions became more powerful, especially during World War II, when Great Britain was allied with Russia and loosened constraints on union activity as a concession to the Soviets. Workers increasingly challenged British prerogatives in Iraq by demanding not just better working conditions and higher wages, but also an end to Britain’s military presence in Iraq and support for the increasingly unpopular Hashemite monarchy.13 Weakened by two world wars, the British found it increasingly difficult to suppress nationalist dissent during the late 1940s and 1950s.

The Cold War made Iraq’s oil and strategic position important not just to the British but to the United States as well. Iraq became a critical ally as the United States implemented its policy of containment during the 1950s. In 1955, Iraq joined the Central Treaty Organization (CENTO). More commonly known as the Baghdad Pact because of the place of signing, the treaty incited huge protest demonstrations that hastened the overthrow of the Hashemite monarchy on July 14, 1958. Iraq’s decision to withdraw from the Baghdad Pact in 1959 and seek closer ties with the Soviet Union led CIA Director Allen Dulles to remark that Iraq represented “the most dangerous situation in the world.”14 The supposed leanings of the new Iraqi leader Gen. Abdul Karim Qasim toward the communist bloc led the United States to support a successful coup d’état by the Arab Socialist Baath Party on February 6–7, 1963. Qasim was captured and summarily executed, and the new regime rounded up and killed or tortured and imprisoned thousands of communists, reformers, and democracy activists. This first Baathist regime was so brutal and repressive that it was ousted by the military in November 1963.

Qasim was by no means a communist, but rather a mild-mannered reformist. Like President Jacobo Arbenz Guzman in Guatemala, who was overthrown by the CIA in 1954, and Mohammed Mossadegh, who was Iranian prime minister from 1951 until he was toppled by the United States and the Iranian military in 1953, Qasim sought to improve the lot of the less fortunate and poorer sectors of society. However, the British refused to support the development of political institutions in Iraq, whether during the period of occupation from 1917 to 1920, during their League of Nations mandate from 1920 to 1932, or during the period of “informal control” from 1932 to 1958. The United States made the same mistake in failing to support reforms that might have led to a democratic transition in Iraq. Instead, its support for Iraq’s first Baathist regime, which jailed, tortured, and exiled a large percentage of Iraq’s democracy activists as well as its professional and intellectual class, dramatically weakened those social strata who advocated the implementation of democracy and the values of political and cultural pluralism and tolerance. The reform policies that might have led to a democratic Iraq instead paved the way for the authoritarian rule of the first Baathist regime in 1963 and then the second and far more pernicious Baathist regime under Saddam Hussein in 1968.

OIL AND THE CONSOLIDATION OF THE BAATHIST REGIME

The Vietnam War created a strong demand for oil in the early 1970s. As demand outstripped supply, global oil prices increased dramatically. Between 1972 and 1980, Iraq’s oil revenues increased twentyfold. These windfall profits were critical to Saddam Hussein’s ability to impose a highly repressive political system on Iraq. Saddam and the Baath Party were able to not only establish a highly effective security apparatus comprising seven intelligence services, but also to use oil revenues to co-opt a large number of political figures, intellectuals, and professionals as well. Iraq’s sudden abundance of oil wealth also allowed the regime to establish a number of organizations through which it sought to shape public life, such as the General Federation of Iraqi Women (al-Ittihad al-Amm li-I’Nisat al-Iraqi), student organizations, and cultural institutions. Many of these organizations, such as the Union of Arab Historians (Ittihad al-Mu’arrkin al-Arabb), emphasized Iraq’s pan-Arab credentials and sought to make it the leader of the Arab world.14 None of these developments would have been possible without the dramatic increase in oil prices and the consequent resources it placed at the disposal of the Baathist regime.

The impact of Iraq’s oil wealth on politics is placed in stark relief if we consider the political power of the Baath Party when it came to power in July 1968. According to British Foreign Office reports at the time, as well as the assessment of the foremost student of the era, Hanna Bataru, the Baath Party had no more
than a few hundred members during the late 1960s. Having suppressed the Nasserists, who had helped them come to power, within two weeks of the initial coup, the Baathists, apart from their front man, General Ahmad Hasan al-Bakr, were little known in Iraq. Indeed, between 1968 and 1973, the party was plagued by a number of unsuccessful coups that almost brought it down. One manifestation of the Baathist regime’s weakness was reflected in attempts to terrorize the Iraqi populace, as was evident in the hanging of fourteen innocent civilians in downtown Baghdad’s Liberation Square in January 1969, nine of whom were young or elderly Iraqi Jews. Cynically accused of being “Zionist spies” during a show trial, the Jews, who had not had the resources or desire to leave Iraq, were chosen due to their marginal status in Iraqi society. The real purpose of the hangings was to send a message to the Iraqi populace at large that any opposition to the new regime would be met with severe repression. The regime’s weakness during its early years was also evident in the National Front coalition that it entered with its historical nemesis, the Iraqi Communist Party, in 1973. Only when the regime felt that it had consolidated its power did it dispense with the Front in 1978, executing twelve communist government ministers in the process.\footnote{16}

**OIL, WAR, AND AUTHORITARIAN RULE**

A political economy approach is key to helping understand how a regime that initially enjoyed little legitimacy or support among the Iraqi populace rose to become one of the most powerful in the Middle East, turning Iraq into a major military power and initiating two of the most destructive conflicts of the twentieth century. The windfall profits from oil during the 1970s do not tell the complete story. In explaining the initial success of the second Baathist regime, the Iraqi populace’s “political exhaustion” after ten years of violent coups and countercoups, and the deposed Arif-Yahya regime’s complete lack of legitimacy due to the Iraqi army’s poor performance in the 1967 Arab-Israeli War, must also be taken into account. While it would be unwarranted to attribute all of Iraq’s problems to British colonialism, had the British used their significant influence in Iraq to foster the civil society building and democratic impulses that were part and parcel of much of the Iraqi nationalist movement, especially its Iraqi or *watanis* wing, much of the violence and instability of the late 1940s and afterward might have been avoided, precluding the second Baathist regime’s coming to power in 1968, with all the subsequent devastating consequences to which Iraq was subjected.

Fearing the power of the nationalist movement, which was largely urban based, the British established a separate legal system for Iraq’s tribal areas in 1924, the Tribal Civil and Criminal Disputes Regulations, that set powerful shaykhs against the central government, thereby promoting political instabil-
young shock troops, or Basij, whose task was to clear minefields with Ayatollah Khomeini's promise of immediate martyrdom should they perish. However, once again Iraq's oil wealth played a critical role in the country's politics. Feeding an Iranian victory, which could potentially spread Islamic radicalism through the Persian Gulf and Arabian Peninsula, the United States and other Western nations provided Saddam's regime with critical intelligence, financial aid, weaponry, and dual-use technology with which Saddam developed his chemical, biological, and nuclear weapons program. Saudi Arabia and Kuwait provided huge loans to offset Iraq's inability to export oil from its southern oil fields.

Saddam's development of a weapons of mass destruction (WMD) program proved critical to forcing the Iranian regime to reluctantly agree to a truce in July 1988. Following the war's end, Saudi Arabia and Kuwait, now more fearful of Saddam's million-man battle-tested army than of Iran, increased their oil output, driving down prices. They also demanded that Iraq repay the large loans they had made during the war. Saddam angrily retorted that the loans should be forgiven because Iraq had prevented Islamic revolution from spreading to the Arabian Peninsula and the Arab Gulf states. Saudi Arabia's and Kuwait's goals were to prevent Saddam from acquiring the funds that would allow his Baathist regime to rebuild the country. The drop in oil prices seriously compromised the Baathist regime's ability to return to the status quo ante and to give Iraqis the prosperity of the 1970s that Saddam had promised once the war ended. A purported coup by 178 army officers in 1988 pointed to the widespread discontent Iraqis felt at the sacrifices they had been forced to make during the war with Iran. Most analysts agree that the need for funds to engage in social and economic reconstruction was a key variable in Saddam's decision to invade and seize Kuwait in August 1990.

The Gulf War of January 1991, capping months of negotiations in which the international community tried to force Saddam to withdraw from Kuwait, was a catastrophe for the Baathist regime. Estimates are that the bombing of Iraq by the UN coalition led by the United States resulted in massive destruction of its infrastructure and industrial sector, forcing Iraq back to economic levels of the early 1960s. The subsequent national uprising of late February and March 1991 no doubt would have been successful had it not been for US intervention to save Saddam's regime. The most important decision the US military made was to allow Iraqi helicopter gunships to enter the air, after UN forces had forbidden Iraq at war's end to fly any of its aircraft on the threat of being shot down. The official reasons for this decision are still unclear. However, speculation was widespread that the United States feared that the collapse of Saddam's regime would lead to the breakup of Iraq, a critical oil-producing nation, and lead its neighbors to enter its domestic affairs if not parts of its territory. Further, the United States issued specific orders to its troops not to engage the Iraqi army. Perhaps most damning of all, US forces were ordered to destroy ammunition dumps in southern Iraq so they would not fall into the hands of insurgents.

UN SANCTIONS AND THE RISE OF SECTARIAN IDENTITIES

During the 1990s, Iraq experienced one of the most severe sanction regimes ever imposed on a modern nation-state. The national economy and education system effectively collapsed. While the small political elite, whose inner circle comprised extended-family members and members of Saddam's tribe and Baathist loyalists, continued to live well through oil smuggling and funds hidden in foreign banks, the remainder of Iraq's populace experienced great suffering. Faced with salaries that were almost worthless, ration cards that failed to provide more than a small portion of a family's monthly food needs, and a lack of government services, Iraqis increasingly turned to traditional institutions, such as tribes, ethnic groups, and religion, to meet their material and psychological sustenance.

It was during this period that sectarian politics began to spread throughout Iraq. Under the guise of providing charitable services, many organizations that claimed to be religiously motivated used their activities to mobilize political and criminal groups. When Saddam launched the so-called Faith Campaign (al-Hamla al-Imaniya) in 1993 that was headed by one of his trusted lieutenants, Izzat Ibrahim al-Douri, this policy provided still more opportunities for groups that claimed to be acting on religious grounds to pursue nefarious and parochial goals. Because the local community and institutions increasingly became the focus of individual Iraqis, the cross-ethnic interactions that had characterized Iraq prior to the 1990s began to break down. Iraqis no longer had the financial wherewithal to travel beyond their neighborhood, thereby reducing interactions among ethnic groups and regions. Therefore, it was no surprise that these groups emerged with a vengeance and institutionally strong in 2003 after the fall of Saddam's regime.

The most powerful of these organizations was the Mahdi Army (Jaysh al-Mahdi, or JAM), led by the young cleric Muqtada al-Sadr. The Mahdi Army, which first became public in 2003, represented an extension of the activity carried on by Muqtada's father, Ayatollah Muhammad Muhammad Sadiq al-Sadr, who argued against the so-called quietist tradition of the Shia clergy. Following in the tradition of his brother Ayatollah Muhammad Baqir al-Sadr, whom the Baathist regime executed in April 1980 along with his sister Bint al-Huda, a theologian in her own right, Muhammad Sadiq al-Sadr wanted the Shia clergy to become more active in public and political life, rather than focusing on mobilizing large numbers of Shia in the poor Baghdad district of Revolution City (often called Sadr City after 2003), especially during the economically depressed years of the harsh UN sanctions. While Saddam thought initially that he might exploit Muhammad Sadiq al-Sadr's popularity after initiating the Faith Campaign, he soon realized that al-Sadr was using his ties to Saddam to attempt to undermine the regime. Realizing that al-Sadr could not be used to promote
his regime's legitimacy, Saddam ordered him assassinated in 1999, along with two of his sons. Muhammad Sadiq al-Sadr's martyrdom infuriated the Shia and only increased support for the Sadrist movement, having the opposite impact from what Saddam had intended.

When the movement became known as the Mahdi Army is unclear. However, there is no question that it rose to serve the needs of poor and unemployed Shia particularly youth, in the large, sprawling Sadr (Revolution) City area in northeastern Baghdad, as well as marginalized Shia in the cities and towns of the south of Iraq. Serving a clientele of the urban poor and migrants from rural areas, the Mahdi Army provided them with a sense of group identity and belonging, weaponry, and the idea that their actions would hasten the return of the Mahdi from occultation to make the world right according to God's will. Most important of all, however, the Mahdi Army provides employment through an extensive criminal network that involves oil smuggling, extortion, kidnapping, and the seizing of property, including automobiles and houses, in neighborhoods it controls. Seen initially as protecting the collective interests of Iraq's Shia population, the Mahdi Army soon made significant enemies among the Shia middle classes due to its predatory behavior. During the short period when the Sadists were part of the Iraqi government coalition, between 2005 and 2007, it used the ministries it controlled, especially the Ministry of Health, to promote its corrupt and criminal activities as well as to promote sectarian policies, such as allowing sectarian forces to murder Sunni patients in hospitals under its control.

The Mahdi Army has been largely viewed in terms of the ethnoconfessional model. This approach to understanding Iraqi politics assumes that all political actors function according to a "communal mind." This implies that political attitudes and behavior are a function of one's ethnic or confessional (religious) background. Apart from this model's highly reductionist approach, it does not provide a good explanation or predictor of Iraqi political behavior. One of the main problems with this approach is that it ignores the main incentives for young Shia to join the movement. Most JAM members have a minimal formal understanding of Shiism and Islam. Indeed, many are unable to read or write. That unemployment has been as high as 60 percent to 70 percent among some segments of Iraqi youth is often ignored when analyzing JAM's appeal. If we realize that 65 percent of the Iraqi population is under the age of twenty-five and that rural-to-urban migration continues unabated, especially from the Shia south of Iraq, one does not need to draw upon sectarian identities as the main drivers of young Shia joining the movement.

The ethnoconfessional model cannot explain cleavages both within JAM and between JAM and other Shia militias and political parties. A political economy approach draws our attention to the social class cleavages within the Shia community. The hostility of the Supreme Iraqi Islamic Council (formerly the Supreme Council for the Islamic Revolution in Iraq) toward JAM can be explained by the different social bases that characterize the two movements. The Supreme Council counts among its supporters many Shia merchants who distrust the urban déclassé masses, many of whom have tried to extort money from their businesses in the past or have stolen automobiles and seized houses in Shia neighborhoods.

The ethnoconfessional model cannot explain internal cleavages within JAM itself. While some are attributable to regional differences within Iraq's Shia community (especially those between the shrine cities of south central Iraq, such as al-Najaf and Karbala, and the area around the port city of Basra in the far south), there are also social class and generational fissures within JAM. The armed elements of the movement are largely uneducated and uninterested in ideological issues. JAM units' efforts to impose social and political controls on Shia neighborhoods, whether in Baghdad or other Shia-dominated towns and cities, such as beating alcohol retailers or women who fail to wear the appropriate Islamic dress, are less about ideology than about intimidating the local populace with the goal of reducing challenges to their authority.

Social class differences are noticeable within JAM itself. The clerical core of the movement is associated with the "Office of the Martyr" (Maktab al-Shahid) in Baghdad's Sadr City, named after the martyred Ayatollah Muhammad Muhammad Sadiq al-Sadr. These clerics are not among Iraq's most prestigious mujahids. However, they are literate and educated in Shia religious texts. We also find parliament members associated with the Sadrist movement (al-Tayar al-Sadrist), such as bloc leader Nasser al-Rubai. Some of them come from professional backgrounds and look askance at the criminal activities of the armed militias. Thus social class and education have not only created cross-cutting cleavages within JAM and the larger Sadrist movement, but also have undermined its cohesiveness. While the armed wing of the movement is mainly concerned with economic gain, namely appropriating money and property, the clerics and the Sadists' parliamentary allies' vision is to shape the movement into a powerful political party based in Baghdad and the south's large Arab Shia population.

In analyzing the Sadrist trend, we can draw upon both traditions of political economy to better comprehend JAM political behavior. In terms of macroanalysis, the structural conditions produced by the UN sanctions of the 1990s caused a major decline in the standard of living of the Iraqi populace, especially poorer elements of society, making criminal activity, such as oil and artifact smuggling, one of the few economic activities available to the poor. The collapse of the national economy and education system forced Iraqis to depend more on local institutions and notables, such as clerics and tribal leaders. These conditions were propitious for the rise of organizations led by what I call sectarian entrepreneurs. The continued decline of the agrarian sector, which was responsible for many youth migrating to urban areas in search of employment, provided a large recruitment base for
sectarian political actors and groups. The agrarian sector’s decline was further exacerbated by the unwise decision of L. Paul Bremer and the Coalition Provisional Authority (CPA) to eliminate agricultural subsidies in August 2003, which further undermined Iraq’s farmers and caused a large migration to urban areas by making it more difficult for them to compete with Syrian and especially Iranian agricultural imports.

If the macroanalytical perspective helps us understand why marginalized sectors of the Iraqi populace chose to engage in criminal activity, a microanalytical perspective sheds light on how this criminal activity functioned. To sustain and expand their criminal activity, it was in the interest of sectarian entrepreneurs to promote hostility toward other ethnic and confessional groups. By promoting sectarianism, these entrepreneurs were able to impose vertical identities on the groups they controlled, thereby fostering greater social and political cohesion. In terms of a cost-benefit analysis, sectarian identities became a form of political and social currency that allowed sectarian entrepreneurs and the groups they controlled to achieve desired economic outcomes. An analysis of structural conditions and decision-making yields a convergence of the two levels of analysis when explaining sectarian identities in post-2003 Iraq. A political economy approach offers a much more instrumental understanding of sectarian-based politics in Iraq at the level of marginalized social classes than one that views such identities in “primordial” terms or some sort of static social and cultural given of Iraqi society.

This model can be applied to the post-2003 political elite, which includes more prosperous sectors of Iraqi society, namely the solid middle and upper middle classes. The arena of contestation that has preoccupied these social strata is the political disposition of Iraq’s incredibly extensive and valuable hydrocarbon wealth. Specifically, there has been struggle within Iraq’s political elite at multiple levels. First, and most prominently, this cleavage has pitted the Iraqi central government against the Kurdish Regional Government (KRG), which was formed after the 1991 Intifada and comprises the three Kurdish provinces in the country’s northwest region. The KRG argues that it should be allowed to drill, extract, and export oil it discovers in the Kurdish region as long as it sends funds from oil sales to the central government to be distributed nationally according to population. Second, a cleavage developed after 2003 within Iraq’s Arab Shia community between those who want Iraq’s oil wealth controlled by the central government and those who want it controlled by a regional “Shiastan” comprising Iraq’s nine southern provinces. This cleavage has set the Sadrist, al-Dawa Party, and al-Fadila Party (located in the Basra area) against the powerful Supreme Iraqi Islamic Council. Although the central government has prevailed thus far in this dispute, it may still reappear in the future. A similar dispute pits Shia politicians of the far south of Iraq, where roughly 60 percent of the country’s proven oil reserves are located, against what they perceive as an attempt by Shia elites, especially the Supreme Iraqi Islamic Council, in the country’s south-central shrine cities to seize control of their oil wealth. Yet another cleavage sets the rural Sunni Arab population of Ninawa, Salah al-Din, and Diyala, but especially al-Anbar province, which feels excluded by the lack of oil in the Sunni Arab regions, against the Kurds and Shia who live in provinces where oil is located. Although oil and natural gas were recently discovered along al-Anbar’s border with Jordan and Syria, many Sunni Arabs still feel left out of the hydrocarbon equation—that is, they fear they will be excluded from benefiting from this critical resource.

Although the struggle over oil wealth is key to Iraqi politics and economic development given that it comprises 97 percent of the country’s foreign revenues, the ethnoconfessional model tells us little about this struggle, because the political cleavages are as much within ethnic groups as they are among ethnic groups. By assuming that the political beliefs and behavior of Sunni and Shia Arabs, Kurds, Turkmen, and other ethnic groups are shaped by their ethnoconfessional background alone (the implicit notion of a communal mind), this model prevents us from understanding the important intra-ethnic divisions that shape contemporary Iraqi politics. Rather than three basic cleavages—Sunni Arab, Shia Arab, and Kurd—we find a multiplicity of divisions operating within the interstices of Iraqi politics. The existence of multiple cleavages reflecting the changing political identities given the political issue in question has important implications for a possible democratic transition in Iraq. Because issues of centralism versus regionalism divide different political elites and movements, we see that no one ethnic group or region can impose its will on the political system, thereby forcing negotiation and compromise. The important political patterns that are elucidated by the political economy model are obscured by the assumption of unitary collective behavior implicit in the ethnoconfessional model.

A political economy approach is highly effective in explaining intra-ethnic group political dynamics. In July 2009, the Change (Goran) List stunned the KRG by winning 41 seats in the 111-member Kurdish Regional Parliament. Once again, this development cannot be understood within the purview of a conceptual framework that emphasizes ethnic and confessional variables. Why was the Goran List so successful?

While conducting interviews in the Kurdish region in 2005 and 2007, I found that many Kurds clearly resented the KRG for what they considered widespread corruption in the use and distribution of oil wealth. No Kurds I interviewed raised these issues of antagonism toward Arab Iraqis in the south (although it was likewise clear that there was still much distrust of the south). Instead, Kurds complained that, despite salary increases since 2003, inflation had outstripped these raises. A Kurdish economist informed me that data on the money supply within the KRG were unavailable, with the implication that the two main political parties, the Kurdish Democratic Party (KDP) and the Patriotic Union of
Kurdistan (PKUK), did not want the populace to know how the KRG was spending its funds.

Using the ethnoconfessional model, we would assume that Kurds constitute a unitary political actor. Indeed, this is precisely the image that the KDP and PUK seek to present to the outside world. However, the PUK has always had within its ranks more reform-minded elements who seek to promote greater equity and democracy within the Kurdish community. When elements of the party broke away in 2009 to form the Change List, their main concern was to break the political and economic stranglehold of the traditional elites within the KDP and PUK and to address the rising anger of the Kurdish population at the lack of employment opportunities in the KRG despite the availability of large amounts of oil wealth.

Another striking element of my research in Iraqi Kurdistan was the extent to which Kurdish and Arab businessmen had begun to pursue joint economic projects. Analysts who are captive to the ethnoconfessional model would not be prone to examining this type of activity. Some of this activity occurred under the auspices of the Iraqi-American Chamber of Commerce and Industry (IACCI), led by Raad Omran, an Iraqi Arab businessman, while other activity was independent of the IACCI and resulted from Arab businessmen and engineers seeking to benefit from the stable investment environment in the north of Iraq. Once again, a political economy approach is instructive. The main incentive for Kurdish and Arab businessmen and professionals to cooperate was the ability to achieve profits from mutually beneficial economic activities. As they indicated to me, their different ethnic backgrounds were insignificant in their business transactions.

What these considerations indicate is not only the importance of oil to Iraqi politics—in contradistinction to the excessive emphasis that has been placed since 2003 on the role of ethnicity and confessionalism in the political process—but the concept of the rentier state. Many analysts feel that the main impediment to Iraq’s attempted democratic transition is the ethnically and confessionally diverse character of its society. However, the March 2009 elections for provincial legislatures in the south of Iraq and the July 2009 KRG parliamentary elections in the north belie this emphasis. As the January 2010 elections approach, widespread cross-ethnic coalition-building is taking place between parties drawn from a wide variety of regions, ethnoconfessional backgrounds, and ideologies.

A political economy approach suggests that the main impediment to democratization in Iraq is less its ethnoconfessional makeup than the possibility of a coalition of elites asserting monopoly control over the country’s oil wealth. The rentier-state hypothesis argues that the ability of political elites to extract rents from the world market through the sale of hydrocarbons, be they petroleum or natural gas, obviates the need for the elites to respond to domestic pressures for democratic and social reforms. Put differently, the rentier state facilitates authoritarian rule by freeing the state from dependence on its citizenry for financial resources (taxes and other domestically derived revenues). Rather than focusing exclusively on ethnoconfessional politics, the political economy approach suggests the need to broaden our analytic horizons.

THE POLITICAL ECONOMY OF STATE CAPACITY

It is possible to divide Iraq’s political development since 2003 into two periods. The period between the summer of 2003 and 2007 was characterized by intense ethnic-based violence. The second, from 2007 to the present, could be referred to as a period of attempted democratic transition. In 2007 the Iraqi state was finally able to assert its control over areas dominated by sectarian militias such as JAM and the Islamic State of Iraq, an offshoot of al-Qaeda. The Iraqi army, which the United States had foolishly disbanded in 2003, was reconstituted and attained a sufficient level of training to allow Prime Minister Nouri al-Maliki to crack down on the Mahdi Army. Striking first in Basra in March 2008, where the Sadrists and their allies had treated the local population in a particularly brutal manner, and then in the organization’s Sadr (Revolution) City stronghold in Baghdad, the Mahdi Army proved no match for the Iraqi army, backed by US forces. Subsequently, Mahdi Army units surrendered without a fight in the critical border town of Amara, an important conduit for arms and drugs from Iran.

Maliki was assisted in asserting the central government’s control by the US military’s “surge” in 2007, which not only temporarily increased US force levels in Iraq, but also embedded American troops in neighborhoods to protect local inhabitants from insurgent groups and sectarian militias. Yet one of the key factors in stabilizing Iraq was confronting unemployment. The establishment of the “Awakening” (al-Sahwa) movement in al-Anbar province demonstrated the importance of putting young men to work. Once large numbers of rural and tribal Sunni Arab youth were given employment by the movement, with the United States providing salaries of $300 per month, not only did violence drop precipitously but the forces of al-Qaeda and the Islamic State of Iraq were quickly put on the defensive.

By late 2008, Iraq was emerging from the sectarian strife of the post-2003 era. The Awakening or “Sons of Iraq” movement had effectively defeated al-Qaeda and Islamic State of Iraq forces in al-Anbar province in northwestern Iraq, and Iraq’s Shia were becoming increasingly disenchanted with the JAM and Shia militias and criminal organizations. These groups alienated and angered many of their erstwhile Shia supporters, who realized that their activities were not designed to protect the Shia community and that their ideological rhetoric was only a cover for rapacious behavior.
Once the Iraqi state was able to assert itself over most of the Arab south, Iraqis abandoned sectarian organizations. Public opinion polls since 2007 have indicated increasing support for secular political parties and revulsion at the excesses of the Mahdi Army and other sectarian militias. Just when Iraq seemed to be making progress toward overcoming many of the problems it had faced since 2003, especially with improvement in the security situation, oil prices began to drop, from a high of $140 per barrel in the summer of 2008 to as low as $40 per barrel in 2009. The drop in oil prices forced the Iraqi government to scale back development projects and improvements in social services.

The drop in oil prices has made reaching an agreement with the Kurdish Regional Government over the distribution of oil revenues even more difficult. Having raised government salaries 30 percent in 2008, the Iraqi government in Baghdad found itself particularly pressed for funds. Facing pressure from nationalist deputies in the Iraqi parliament who feared a return to foreign control of Iraqi oil, the government's strict terms for oil leases led to only one contract being signed when the first auction for many of the country's oil fields that have yet to be explored was held in June 2009. Thus Iraq is caught in a quandary between the need for foreign investment to modernize its aging and unproductive oil industry infrastructure and the need to assure Iraqis that the US-led invasion of 2003 was not really intended to transfer control of Iraq's oil industry to multinational corporations.

POLITICAL ECONOMY AND CONTEMPORARY IRAQI POLITICS

Due to the lack of access to the country by Western social scientists, Iraq was a relatively understudied society prior to 2003. The US-led invasion changed all that. According to the Bush administration, the fall of Saddam's regime was predicted to quickly bring about a revival of the Iraqi economy through oil revenues and an equally speedy transition toward democratization. When matters did not conform to the Bush administration's political script, and an insurgency began gaining steam during the summer and fall of 2003, many Western analysts flocked to focus on Iraq. It was at this point that many of them began blaming the disorder and violence in Iraq on the country's ethnoconfessional composition. The looting of Iraqi government ministries and offices in April 2003, when the US military was ordered not to intervene, destroyed whatever capacity to govern the state had previously enjoyed. The looting undermined Iraqi trust in American policies and confidence in the Bush administration's understanding of Iraq's political, social, and economic needs. Few Iraqis were willing to commit themselves to working with American occupation forces when they seemed to have, at worst, no plan or, at best, one that was ill defined and disorganized. The disorder that followed the collapse of Saddam's regime in

April 2003 reinforced the sinister views many Iraqis had of the US invasion. Iraqis had not forgotten the call by the administration of George H. W. Bush in 1991 to rise up and overthrow Saddam's regime, only to see the United States actively engage in preventing the uprising from succeeding.

The Interim Governing Council (IGC), was the first government since the founding of the modern state of Iraq in 1921 that was explicitly sectarian in composition. The manner in which the CPA structured the IGC in 2003 sent a message to Iraqis that sectarian identities mattered in post-Baathist politics. From a cost-benefit analysis, political actors were incentivized to behave in a sectarian manner. Because the United States relied so heavily on expatriate Iraqis to implement its policies after 2003, it became rational for many of them to organize their political programs according to sectarian criteria. However, organizing Iraqi politics along sectarian lines was not the pattern that had characterized Iraq in the past. Quite the opposite was true, as the majority wing of the Iraqi nationalist movement had emphasized cross-ethnic cooperation.

In stressing the sectarian nature of post-2003 Iraqi politics, many Western analysts largely ignored a number of critical variables that promoted ethnosectarian politics. First, they were largely unaware that the sectarian politics after 2003 was in large measure fostered by American policies, the worst of which was the disbanding of the ethnically integrated 385,000-man Iraqi conscript army in May 2003. Against the advice of Iraqi politicians and the US military, the Defense Department ordered the army disbanded. Along with firing approximately 125,000 public workers, according to the ideologically based decision that states have no right to intervene in the economy to create public sector firms, the CPA provided the growing insurgency with a large pool of potential recruits who were now unemployed but often had families for whom they were responsible. From a political economy perspective, it can be argued that the rise of the post-Baathist insurgency was as much a function of unemployment as it was ethnic or ideological variables. Many unemployed Iraqis simply joined the insurgency because they needed to provide for their families, not due to hostility toward the United States.

POLITICAL ECONOMY AS DECISION-MAKING

As mentioned above, much current political economy eschews the large structural perspective that informs this chapter. How might the approach that emphasizes microfoundational processes, particularly decision-making on the part of significant political actors, be applied to Iraq? One way would be to examine the behavior of Saddam Hussein, whose political persona looms large in the politics of modern Iraq. Saddam was successful in building his power base within the Baath Party, and then within the Baathist regime that came to
power in 1968, by focusing on controlling the intelligence services. In this sense, it could be argued that his behavior was quite rational and that he was successful in his efforts to implement his political preferences.

Yet, how do we explain the number of bad choices he made, such as invading Iran in 1980 and seizing Kuwait in 1990? These choices suggest that the environment in which Saddam made them presented a distorted view of reality. Having suppressed all opposition after removing Ahmad Hasan al-Bakr as president in 1979 and assuming the role himself, and executing all potential competitors for leadership of the Baath Party on trumped-up charges, Saddam cut himself off from one of the key prerequisites of the rational-choice underpinnings of microfoundational political economy, namely, sufficient and accurate information upon which to base decision-making. Having created narratives that distorted reality, Saddam convinced himself that these narratives about Iraqi history and society, and especially its military prowess, were true. The decisions he made after 1979 indicate much less acuity than do the decisions he made prior to that date. In other words, once Saddam had total power and had eliminated many top leaders in the Baath Party whom he viewed as potential rivals, but who could have provided him with important information and advice, he, as have many despots in the past, made choices that actually contravened his personal interests, ultimately leading to his overthrow, trial, and execution in 2006. This pattern has characterized many autocratic political leaders who have had few constraints on their behavior. Whether discussing Hitler, Mussolini, Saddam, or other would-be totalitarian dictators, there seems to be a strong correlation between autocratic rule and decision-making that works against the autocrat’s interests.

Microfoundational political economy can also be applied to an understanding of many of the impediments to Iraq’s attempt at a democratic transition after 2003. None of Iraq’s neighbors want to see Iraq become a stable, multiethnic democracy, because such success would reflect poorly on their own authoritarian and sectarian policies. Thus the negative “neighborhood effects” that Iraq has encountered since 2003 with neighboring states interfering in its internal politics, whether Iran, Syria, Saudi Arabia, or Turkey, demonstrates that political elites in these countries have calculated that Iraq’s success represents a potential loss of political influence and legitimacy. This calculation explains in large measure why these states have worked to prevent Iraq from democratizing and successfully engaging in political and social reconstruction, as evidenced by the continued bombings that afflicted Iraqi cities, even in late 2009.

WHAT POLITICAL ECONOMY CANNOT EXPLAIN

No model of politics and political change is all encompassing. This is true of political economy as well. While political economy is often very successful in delineating the “necessary” conditions for major political events, it has been less successful in explaining why political actors respond to structural change in the way that they do. As we have seen, several of the decisions Saddam made were foolhardy and actually undermined his regime. Instead of invading Iran in 1980, for example, Saddam’s regime could have focused on using Iraq’s vast oil wealth to transform Iraq into a modern state, a process that was already well under way before the war began.

“Cultural politics” is another realm where a political economy approach is lacking. Saddam’s development of a symbolic politics that drew upon Iraq’s Mesopotamian civilizations, pre-Islamic Arab tribal past, Arab-Islamic heritage, and vast wealth of folklore (al-turath al-sha’bi) was critical in developing affective ties between the Baathist regime and the populace at large, especially those segments of society that benefited politically and economically from regime policies. These bonds were sustained until Saddam squandered this legacy once Iraq became mired in what seemed to many Iraqis a never-ending war with Iran after 1982.

At the level of preferences, many theorists have asked why they are so frequently thwarted. Institutionnalists argue that preferences always operate within a realm of constraints. These constraints present themselves in a formal manner, such as in the intricate regulations and procedures of parliaments, both Western and non-Western, and an informal manner, such as within the tribal structure of Iraq. Political economists who emphasize the microfoundational tradition need to put more effort into understanding the constraints political actors face when they make decisions that they hope will realize their preferences. For all his cunning and power, Saddam Hussein ultimately failed in his attempt to become the hegemon of the Persian Gulf and the leader of the Arab world.

SUMMARY

I have suggested that a political economy approach to the study of Iraqi politics can yield numerous conceptual and empirical insights. This is especially true once macrofoundational and microfoundational political economy are analytically integrated to bring together a focus on broad structural trends and variables with one that examines the determinants of the political behavior of important political actors and groups. Despite these benefits, political economy is not an approach that has thus far received adequate acceptance in the study of Middle East politics. Much of this resistance can be traced to the tendency of what Fareed Zakaria has termed “Islamic exceptionalism,” namely the tendency to view Middle East politics through a conceptual prism based in narrow political cultural processes purportedly shaped by an ill-defined concept of Islam. While the impact of Islam on politics in the Middle East cannot be denied, what we mean when we analytically deploy the concept of “Islam,” and when we postulate a causal relationship between Islam, as an independent variable, and multiple dependent variables or outcomes, requires
far more conceptual precision than has been exhibited to date. Resort to a political economy approach, as I have attempted to demonstrate, can not only provide an important palliative to such a political cultural approach but can potentially enrich it as well.34

NOTES

* The author would like to thank the Carnegie Corporation of New York for its support of research on Iraq while he was a Carnegie Scholar for 2007–2008.
3. In Marx's classical formulation in The Eighteenth Brumaire of Louis Bonaparte, "Human beings make their own history, but they do not make it as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly found, given and transmitted from the past." Actors are critical, but they are constrained in what they are able to accomplish. This formulation is similar to the "New Institutionalism," which has sought to explain why individual preferences, a concept of game theory, so often fail to be transformed into policy by political actors.
4. To continue on the New Deal analogy, had not Roosevelt and the US Congress adopted economic stimulus packages and implemented institutional change—for example, Social Security and bank regulation—it is conceivable that the American economy could have experienced an even more severe depression, if not a collapse. See Peter A. Hall, "The Role of Interests, Institutions, and Ideas in the Political Economy of the Advanced Industrialized Nations," in Comparative Politics: Rationality, Culture and Structure, ed. Mark Irving Lichbach and Alan S. Zuckerman (Cambridge: Cambridge University Press, 1997), pp. 174–207.
5. This uprising is known in Arabic as "the Great Iraqi Revolution," which occurred between June and October 1920. See Abd al-Razzak al-Hasani, al-Thawra al-Iraqiya al-Sidra (The Great Iraqi Revolution) (Sidon: Marba'at Irfan, 1952).
6. Already at the 1920 San Remo Conference, Great Britain, France, the United States, and Italy were contesting drilling rights in Iraq, even before oil had been discovered.
7. These empires included the Meccan Empire of the Rashidun, or first four "rightly guided" caliphs (632–661 CE), the Umayyad Empire (661–750 CE), which was centered in Damascus, and the Abbasid Empire (750–1258 CE), whose capital was Baghdad.
11. For a further discussion of the 1920 revolt, see W. J. O. Nadhmi, The Political, Intellectual and Social Roots of the Iraqi Independence Movement, 1920, PhD diss., School of Oriental Studies, Durham University, 1974; see also Davis, Memories of State, pp. 47–49.
15. Ibid., pp. 153–156; Iraq’s oil revenues increased from $1 billion in 1972 to $33 billion in 1980.
22. According to Twelver Shiism, which predominates in Iraq and among Shia, the twelfth imam, Muhammad al-Mahdi, went into occultation in 869 and will return at a time designated by God to bring absolute justice to the world.
27. For an excellent visual depiction of this intimidation process, see James Longley’s film Iraq in Fragments (Tyepcast Films, 2006), especially the section on the JAM’s attacks on alcohol sellers in a southern city of Iraq.

29. Some analysts have even characterized this period as a civil war.

30. See, for example, the ABC/BBC/NHK poll, March 2009, http://news.bbc.co.uk/2/hi/middle_east/7942974.stm.

31. “Few Bidders to Develop Iraqi Oil and Gas Fields,” New York Times, July 1, 2009; only one of Iraq’s six giant oil fields was leased to a consortium of British Petroleum and the Chinese National Petroleum Company for the Rumailia field, with its estimated 17 billion barrels of oil. It should be noted that if this field were fully developed, it could more than double Iraq’s current output of 2.5 million barrels per day.

32. Having spent May and June 1980 in Iraq, I can attest to the impressive level of development that had been achieved in Iraq. One indicator of this development was that by then Iraq had the most developed medical system in the Middle East.

33. See Chapter 4 of The Future of Freedom, “The Islamic Exception.” It should be noted that, more than any other non-Western region, the Middle East suffers from being subsumed under a conceptual “cultural hermeneutic.”


IRAN’S REGIONAL FOREIGN POLICY

Manochehr Dorraj

Iranian regional foreign policy in postrevolutionary years has displayed elements of both continuity and change from the Pahlavi-era foreign policy. Broadly conceived, in both periods foreign policy was closely linked to the exigencies of domestic politics: defense of national interest and an instrument of regime survival. Under the monarchy Iran was firmly in the Western camp. It was a member of the pro-Western Baghdad Pact—known as CENTO after the 1958 Iraqi revolution that led to that country’s defection from the pact. Iran’s regional allies included the “Northern Tier camp” (Turkey and Pakistan), Israel, and moderate Arab states such as Egypt, Jordan, Morocco, Tunisia, North Yemen, and the Persian Gulf states of Saudi Arabia and Kuwait. After the official recognition of Israel in 1960, a strategic alliance was forged between the two countries. Iran in this period was also a pillar of support for US policy interests in the region. Under US President Richard Nixon, the Nixon Doctrine codified Iran’s role as an erstwhile US ally and enforcer of a pro-Western foreign policy agenda in the region. These attributes of the monarchic foreign policy put Iran firmly in the anti-communist camp, as demonstrated by Muhammad Reza Shah’s 1974 attempt to suppress the Maoist guerrilla movement in Oman that threatened the reign of that country’s King Qabus. While the moderate Arab Gulf states were apprehensive about the regional ambitions of imperial Iran, their interest in containing the pro-Moscow radical Arab regimes and maintaining the viability of OPEC converged with the shah’s regional political agenda. Hence Iran’s chief regional rival, the Baathist Iraq that had locked horns with the shah’s regime over the disputed body of water, Shatt al Arab, separating the two countries, had to come to terms with its more powerful