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AGRARIAN REFORM IN RELATION TO ECONOMIC DEVELOPMENT IN IRAQ

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Needless to say, none of the above is responsible for the errors which may remain.

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AGRARIAN REFORM IN RELATION TO ECONOMIC DEVELOPMENT IN IRAQ

INTRODUCTION

In Iraq, agriculture is characterized by feudalistic small-scale peasant farms. Sharecroppers working the land with primitive implements make no use of modern fertilizing and are further hampered by inadequate means of handling irrigation and drainage. Consequently, despite the amount of labor devoted to farming, the yield per man and per acre is very low.

Primitive crop-rotation and poor fertilizing practice have led to soil exhaustion and deterioration of yields. Lack of drainage facilities has caused between 30 per cent and 50 per cent of the cultivated land to be salted. Low productivity leaves little margin for improvement and reserves against bad seasons; and accompanying malnutrition means greater incidence of disease and lower working efficiency and initiative.

Rural unemployment and underemployment are very high. In the cities there is similarly a pool of unemployed or

irregularly employed, composed of landless persons forced by debt or hunger to the cities in search of employment.

However, while Iraq possesses all features of backwardness, such as low per capita income per head, low labor productivity, high rate of illiteracy, bad health conditions, lack of non-agricultural pursuits, etc., it is endowed with other favorable factors which distinguish it from the typical model of an underdeveloped country. The country is sparsely populated, it is blessed with fertile land and abundant water. Finally, unlike many underdeveloped countries, Iraq does not lack the financial resources for capital investment. The 1951 oil agreement all but eliminated the problem of capital shortage. These oil royalties make it possible for the country to further economic development without first cutting down consumption.

Thus, Iraq has good potential prospects for using more capital, labor, and natural resources of raising per capita income.

During the first four decades of the national rule, the country made no progress and efforts which were made in order to move agriculture from stagnation were doomed to failure.

In the year 1950, in order to assist the agricultural

sector, the government established the Development Board for Irrigation Work and Promotion of Agriculture. After ten years of capital investment in agriculture and irrigation control, the situation did not change much.

The regime which came to power following the revolution of 1958 passed the Agrarian Reform Law of 1958 calling for confiscation and redistribution of cultivable land held in large tracts. The regime has considered the existing feudal land tenure system as a fundamental barrier to economic development in Iraq.

From the economic point of view, agrarian reform was justified on the following bases: (1) a considerable proportion of savings from rent fails to find its way into capital formation, (2) of the savings which are invested, a large part is invested in purchasing new land which serves not for the improvement of agricultural productivity but leads to the creation of more under-utilized resources, (3) absentee landlords fail to provide organizational and technological arrangements which would maximize output from farm operations, and (4) extreme inequality in landownership places the landlord in a monopolistic position which can be used to exploit the tenant cultivator because the peasant often receives income considerably less than his productivity warrants. The

monopolistic exploitation of the cultivators results in a restricted domestic market which weakens the inducement to invest, not only of the landlords, but merchants and traders as well. Concentration of land in a few hands and the lack of work opportunities outside agriculture enable the landlords to receive a very high rent which leaves the tenants with a low purchasing power which severely restricts the market for any industrial development.¹

The terms "agrarian reform" and "economic development" have been used in close association with each other. In this process of association, agrarian reform is treated as a necessary or highly desirable condition of economic development.²

The relationship between agrarian reform and economic development has frequently been misunderstood. Many of those who advocate agrarian reform do so on the ground that it is a panacea for all ills of economic and social backwardness. However, it is to be noted that a redistribution of land may not lead to improvement in productivity. The immediate effect

¹William O. Thweatt, "Economic Growth and Distribution in the Middle East," American Journal of Economics and Sociology, XVI (January, 1957), p. 124.

²Raleigh Barlowe, "Land Reform and Economic Development," Journal of Farm Economics, XXXV (May, 1953), p. 173.

of such measures may improve the standard of living of the peasants, but such gains would be bound to be short-lived. In a sense, it will not lead to an increase in farm output unless plans are also advanced for ensuring an adequate investment of capital in agriculture, diversification of crops, selection of seeds and adoption of new farming techniques, and transforming farming into market-oriented business.

In the debate and analysis of this subject, the term "agrarian reform" is frequently used rather loosely by advocates of conflicting objectives. In order to limit the discussion, it is helpful to give some essential definitions of the terms "agrarian reform" and "economic development."

The expression "agrarian reform" was here used to include measures aimed at liquidating subsistence farming as the principal form of agricultural activity and transforming agriculture into a specialized, labor-divided, and market-oriented industry.

To some economists, the term "economic development" is identified with a reduction of the percentage of the country's labor force engaged in agriculture. More adequate uses of the term relate to increases in the ratio of capital to labor inputs, rates of net capital formation, and rises in per capita income. As used in this study, the term reflects

the concept of development proposed by Meier and Baldwin:

"Economic development can be defined as an increase over time in per capita output of material goods."³

As a general proposition, the way in which agrarian reform affects economic development will, to a large extent, depend upon what role the agricultural sector as a whole is expected to play in the process. Taking agriculture as a whole, it is highly probable that an economic surplus generated in this sector of Iraq's economy comprises at least one half of its national income--apart from oil industry. Moreover, agriculture in Iraq employs about two-thirds of the population. Thus, the development of this sector would provide a higher level of output and serve as an economic base for the growth of industry by providing food for the increasing industrial labor force and raw materials for the developing industry. What is more, the saving of labor represents one of the main advantages of modernizing agriculture and constitutes an indispensable prerequisite of industrialization.

It is the purpose of this study to describe and analyze how changes in land tenure system can affect capital

³Gerald M. Meier and Robert E. Baldwin, Economic Development: Theory, History, Policy (New York: John Wiley and Sons, Inc., 1957), pp. 2-8.

formation and investment in agriculture. Stated differently, how agrarian reform contributes to economic development by helping to promote an increase in agricultural productivity in land, labor, and capital and, perhaps, an increase in the level of employment, besides contributing to a higher rate of industrial growth.

Chapter I will give a discussion of the land tenure system in Iraq, the demographic position of the population, and some natural and climatic factors affecting agriculture in Iraq.

Chapter II will survey the agrarian problem in Iraq. Some views on its causes, the social structure, the political power, and the pre-revolutionary decades of agrarian reform in Iraq will be discussed. An attempt will be made at evaluating the economic and social impact of the feudal organization of agriculture.

Chapter III will be devoted to analysis of the general argument for agrarian reform in Iraq, and factors contributing to the enactment of the 1958 Agrarian Reform Law, its objectives, provisions, and execution.

Chapter IV will review recent literature on economic development of backward countries and its relevance to the situation of Iraq. Economic and social aspects brought by

the 1958 Agrarian Reform Law will be examined with view to evaluating their importance.

Chapter V is intended to test what has been done to realize the economic, social, and political objectives of the Agrarian Reform Law of 1958. The effects of the law on tenure arrangements, agricultural production, and income distribution in favor of the peasants will be evaluated with view to determining policy priorities.

Chapter VI will present a discussion of problems of agricultural planning in Iraq. A brief survey of the state's role in the economic development of Iraq will be emphasized. Early and present economic plans and their impact on the Iraqi economy will be evaluated here. Finally, Iraq's agricultural prospects are considered.

Chapter VII will emphasize some problems and trends confronting the development policy in Iraq. The oil industry's general economic effect on the Iraqi economy, as a source of finance is discussed. New methods of financing economic development in Iraq are proposed.

Finally, Chapter VIII contains a summary and an evaluation of the major findings. Constructive suggestions and recommendations concerning further development of Iraq are made.

CHAPTER I

AGRARIAN STRUCTURE BEFORE 1958

On September 30, 1958, an Agrarian Reform Law was passed by the Government of Iraq. It is necessary to examine the conditions that prevailed in Iraq during the first half of this century and to see if there was a defective system of land tenure which could be considered as making an agrarian reform necessary or advisable. It is intended here to give a brief survey of the land and people, some natural and climatic factors affecting agriculture in Iraq, and the land tenure system prevailing before 1958.

Land and the People

The area of Iraq is about 177,777,200 donums (175,000 square miles).¹ In 1958-59, the Principal Bureau of Statistics published its report on the agricultural and livestock census of Iraq which gave figures related to cultivable and cultivated areas. The area of the country was divided

¹Donum = Meshara = 0.62 acre.

according to cultivable area and the type of this cultivation as shown by Table 1.

TABLE 1
CLASSIFICATION AND USE OF LAND IN IRAQ, 1958-59

Area and Type of Cultivation	Donums	Percentage
Area devoted to seasonal planting	21,286,712	
Area could be planted after the completion of irrigation system	<u>9,000,000</u>	
	30,286,712	
Fruit trees and vines	512,551	
Pasture	923,465	
Woodland	<u>207,230</u>	
	31,930,058	17.7
Desert land	73,812,000	41.5
Rest	<u>72,035,142</u>	<u>40.8</u>
Grand Total	177,777,200	100.0

Source: Government of Iraq, Principal Bureau of Statistics, Report on the Agricultural and Livestock Census 1958-59 (Baghdad, 1961), pp. 2-6.

Area can be classified according to the types of irrigation as shown in Table 2.

According to the 1957 population census, the population of Iraq was approximately 6.5 million. About 1,750,000 people live in cities and towns, including Baghdad, and the rest of the people, 4,670,000, live in villages and in the countryside. The number of nomads was estimated at about

TABLE 2

IRAQ: AREA WITHIN IRRIGATION SYSTEM, 1958-59

Kind	Area (Donums)
Rain-fed zone	11,006,249
Flow-irrigated area	6,740,944
Pump-irrigated area	4,478,106
Area irrigated by other means	430,107
	<u>22,657,400</u>
Area could be irrigated after completion of irrigation system	9,000,000
	<u>31,657,400</u>
Rest land (desert, etc.)	<u>146,119,800</u>
Total	<u>177,777,200</u>

Source: The Agricultural Census 1958-59 (Baghdad, 1961), p. 5.

70,000. The following table shows the figures of male and female population for 1947 and 1957.

TABLE 3

POPULATION IN IRAQ (in millions)

	1947	1957	Increase	Annual % increase
Total	5.20	6.50	1.30	2.35
Males	2.65	3.30	0.65	2.40
Females	2.55	3.20	0.65	2.30
Rural	3.45	4.05	0.70	2.00
Urban	1.75	2.45	0.60	2.80

Source: Food and Agricultural Organization Mediterranean Development Project, Iraq, Country Report (Rome, 1959), p. 6. Henceforth will be cited as FAO Report.

Iraq is one of few underdeveloped countries which faces no population problem. The acreage of land which is suitable for agriculture, reduced to a per capita basis, is 3 to 3.5 acres compared with the Asiatic average of only 0.5 acre per head.²

The number of persons employed in gainful occupations in Iraq has been estimated at about 2 million for the year 1956. This figure excludes students, soldiers, pensioners, and housewives. The distribution is as follows:

TABLE 4
DISTRIBUTION OF THE WORKING POPULATION
IN IRAQ BY SECTORS, 1956

Sector	Number engaged (in thousands)	Percent of total
Agriculture	1,610	78.8
Industry and public utilities	115	5.6
Mining of petroleum	13	.6
Transport	56	2.7
Building public works and banking	38	1.9
Distributive trades	60	2.9
Personal services, including government and professions	116	5.6
Total	2,046	100.0

Source: A.P.G. Poyck, Farm Studies in Iraq, an Agro-Economic Study of the Agriculture in the Hilla-Diwaniya in Iraq (Wageningen: Laboratory of Agricultural Economics of the Tropics, Agricultural University, 1962), p. 6.

²Doris Adams, Iraq's People and Resources (Berkeley: University of California Press, 1958), p. 23.

Agriculture absorbs about four-fifths of all persons gainfully employed, a proportion out of line with the contribution of agriculture to the national income. The estimates of the income per capita of the agricultural population for 1950 and 1956 are ID 17 and ID 16 respectively.³ The table below shows the estimates of the per capita income for 1950 and 1956 for the various sectors.

TABLE 5
PER CAPITA INCOME FOR 1950 AND 1956
BY SECTORS

	1950	1956
Agriculture	17 ID ^a	16 ID
Non-agricultural and non-oil	75 ID	120 ID
Disparity factor	0.23	0.13

^aID = Iraqi dinar = \$2.80

Source: A.P.G. Poyck, op. cit., p. 7.

Natural and Climatic Factors

One of the main limiting factors of agricultural production in Iraq is water. Fertile land is abundant, but much of it cannot be cultivated because there is not enough

³A.P.G. Poyck, op. cit., p. 7.

water to raise crops. This is due in large part to the destruction of the old irrigation system.

The country could be divided into two regions. The mountainous region, which lies in the north and northeast of the country, receives an adequate amount of rainfall in the winter time which makes cultivation possible without irrigation, but the rainfall is inadequate for summer cultivation. Secondly, the central and southern regions which secure inadequate rainfall depend in the main part on artificial irrigation in order to be cropped. Furthermore, there are great fluctuations in the total amount of rain from year to year and serious shifts in the pattern of its distribution. The flow of Tigris and Euphrates rivers shows considerable variation from year to year and within the year. The important point with respect to these rivers is the relationship between flood, low water, and the agricultural cycle. The improvement of this relationship calls for "development," a process consisting of flood control works, storage-dams, irrigation barges, and land reclamation.

The country possesses, in its two rivers, an abundant amount of water, but the variation of the flow of the rivers puts a limit to any extension of agricultural development. The rivers reach their minimum flow in September and their

maximum flow in the spring, too late for winter crops and too early for summer crops. Moreover, except in the mountainous region, the land is flat and only a little above sea level. The rivers flood, on the average, every two or three years with the result of great damage to the crops and other urban areas. Despite the fact that these floods bring with them, as Lord Salter says, alluvial soil which creates an exceptional fertile region, they are liable to salt up, and without adequate drainage, an important portion of the region becomes unsuitable for cultivation. The Higher Irrigation Development Committee, for example, pointed out that almost 60 per cent of the irrigated lands has been seriously affected by salt, and it is said that almost 20 to 30 per cent of the cultivable lands has been abandoned in the last few decades, due to high water table.⁴ This was confirmed by the Haigh Report which showed that approximately 60 per cent of the irrigated lands has been affected by salt and yield on the remaining lands has declined by 40 per cent to 50 per cent.⁵

⁴The Higher Irrigation Development Committee, Report on Irrigation in Iraq, quoted in Hassan M. Ali, Land Proclamation and Settlement in Iraq (Baghdad, 1955), p. 31.

⁵Hassan M. Ali, op. cit., p. 31.

The Need for Irrigation

More effective use of the water supply is thus the central problem of Iraq. National and international efforts were directed at resolving this problem. In 1930, Sir Ernest Dowson, the British expert in land problems, made a comprehensive survey of land tenure, methods of cultivation, and other related questions. He estimated the cultivable area as 92,000 square kilometers--41,000 in the rainfall zone, and 51,000 in the irrigation zone--and that only a fraction of the zones was cultivated in any one year.⁶

In 1945, it was estimated that out of the total of 180,600,000 donums, the potentially cultivated area was about 48,400,000 donums, and that only about 10,500,000 donums were irrigated.⁷

The United Nations Report indicated that only 12,800,000 donums, 5,200,000 under irrigation, were cultivated out of 24,000,000 cultivable.⁸

⁶S. E. Dowson, An Inquiry into Land Tenure and Related Questions, Proposals for the Initiation of Reforms (Letchworth, 1932), p. 11.

⁷Great Britain, Overseas Economic Survey, Iraq Review of Commerce Conditions (London, 1945), p. 3.

⁸United Nations, Department of Economic Affairs, Review of Economic Conditions in the Middle East, 1949-50 (New York, 1950), p. 45.

In 1951, the Bank Mission to Iraq could not state with any certainty the cultivated and cultivable areas. According to the mission, the official estimates indicated that the amount of cultivable land was about three times that under cultivation, but the definition of cultivability was not established and no accurate figures were available.⁹

Regardless of the exact statistics, it is generally agreed that the major potential for development in Iraq lies in agriculture. It was held that perhaps more than half of the land was not cultivated. It was held also that with a little effort and systematic organization, the area under cultivation could be increased, and that with better and more intensive cultivation, the wealth and earning capacity of the country could be substantially increased. The Bank Mission, for example, concluded that: "Aside from oil, water and land may be said to be the principal natural resources of Iraq."¹⁰ It was alleged that the area under cultivation can be doubled as the irrigation projects are carried out. Thus the Bank Mission again pointed out that: "In the rain-fed zone the

⁹International Bank for Reconstruction and Development, The Economic Development of Iraq (Baltimore: The Johns Hopkins Press, 1952), p. 8. Henceforth will be cited as IBRD Report.

¹⁰Ibid., p. 136.

area under cultivation could theoretically be more than doubled; and in the irrigation zone it could be almost tripled."¹¹ The Consulting Engineers Knappen-Tippetts-Abbott-McCarthy envisioned 70 per cent increase in cultivated land if their recommendations concerning irrigation and drainage were carried out.¹²

In 1954, the United Nations Relief and Work Agency projected a 90 per cent increase in cropped land between 1955 and 1975.¹³

In 1954, the Development Board invited Lord Salter, the British economist, to draw a policy recommendation concerning development programs. Lord Salter wrote that: "The principal natural assets of Iraq are, of course, her alluvial soil and her water, and the greatest natural opportunity of development is through irrigation and drainage."¹⁴

¹¹Ibid., p. 137.

¹²Government of Iraq, Development Board, Development of the Tigris-Euphrates Valley (Baghdad: Al-Ani Press, 1954), pp. 4-5.

¹³United Nations Relief and Works Agency for Palestine Refugees, Quarterly Bulletin of Economic Development, No. 11 (Beirut, 1954), p. 1.

¹⁴Lord Salter, The Development of Iraq, A Plan for Action (Baghdad: The Development Board, 1955), p. 15.

From the foregoing brief survey we may conclude that irrigation and water supply have received the main emphasis and accordingly, Iraq's development policy was oriented toward achieving these results.

Historical Development of Land Tenure

Up until the end of Ottoman period, the basis of land ownership was the tribal dirah, a large area over which a tribe exercised a customary right to occupy. Big tribal holdings were appropriated by the sheikhs. These tribal lands, which had no legal basis, were regarded as state lands with the tribal occupants as tenants-at-will.¹⁵

Under the tribal system, cultivation was communal and the organizational functions of the land and its cultivation were managed by the sheikhs' representatives (sirkals); the sheikhs had primarily political functions.¹⁶ Only a small fraction of the land was cultivated, and farming shifted as canals silted full and land was exhausted or became saline. Individual ownership was unknown and occupancy of a specific

¹⁵Fahim Qubain, The Reconstruction of Iraq: 1950-57 (New York: Frederick A. Praeger, Publisher, 1958), p. 82.

¹⁶U. S. Department of Agriculture, The Agricultural Economy of Iraq (Washington: Economic Research Service, 1965), p. 9.

plot of land for a long period was not usual.¹⁷

The land law of 1857 was a first attempt to settle the land problem in Iraq. This law had defined the right of use and transfer of Miri Sirf (state) lands.¹⁸

Through the land code which was promulgated in 1858 and the land registration law of the year after, the Ottoman government sought to establish one system of tenure, the tapu. The attempt was not only a failure but also added to the general confusion.

The Ottoman land-registration law enabled various influential persons in collusion with corrupt officials to register in their names huge areas which in many cases the claimant had never seen. The peasant cultivator, fearing that registration would subject him to military conscription and additional taxation, renounced his opportunity to acquire title to the land he worked by registering it in the name of some well-to-do protector, and therefore being reduced to the status of tenant or even day-laborer. In other cases the practice of shifting agriculture barred the cultivator from registering since few of them could prove ten-year occupancy. Grants were

¹⁷Ibid., p. 9.

¹⁸Hassan M. Ali, op. cit., p. 57.

generally made without any examination of conflicting claims and were used as a means of rewarding the favored few.¹⁹

The grant of tapu tenure led to local clash and even actual fighting between sheikhs and tribesmen, and to such confusion that general registration could not be completed.²⁰

During the British occupation, the feudal system was upheld. The administration's policy attempted to use the land for political purposes. It had sought to conciliate tribal sheikhs, as the strongest social force in the country, by bestowing material and political favors in return for good conduct.²¹ The administration gave the sheikhs high posts in the administration and by special decrees large holdings were given to them. The sheikhs exploited their political power to get the tribal lands registered as their own freehold; and the status of their tribesmen was thus degraded to that of serfs legally tied to the land.²²

In the 20th century, the introduction of pump irriga-

¹⁹Doreen Warriner, Land and Poverty in the Middle East (London: Royal Institute for International Affairs, 1948), p. 109.

²⁰Ibid., p. 109.

²¹George E. Kirk, Contemporary Arab Politics (New York: Frederick A. Praeger, Publishers, 1961), p. 139.

²²U. S. Department of Agriculture, op. cit., p. 9.

tion added new complications. Many city merchants financially able to buy pumps entered into arrangements with holders of Miri land for the supply of water (pump) and in return received a specified share of the crop, thus creating new claims to land without resolving any of the pre-existing claims.²³

In 1931, Sir E. Dowson was requested to study the land problem in Iraq. Dowson suggested the acceptance of the actual existing tenancy rights and registering them officially and providing the people with documents ensuring their future.²⁴ His findings were that probably four-fifths of the cultivable area of the country is lawfully and freely owned by the state. He recommended that the settlement of title should be made on the basis of the confirmation and maintenance of beneficial occupational use. Dowson also emphasized the idea that the state should register the tenure as leasehold, because in a country with great agricultural potentialities like Iraq it was important for the state to retain its right of ownership so that it could make use of the land at a later stage for purposes of development.²⁵

²³ IBRD Report, op. cit., p. 138.

²⁴ Quoted in Hassan M. Ali, op. cit., p. 63.

²⁵ Doreen Warriner, Land and Poverty in the Middle East, p. 110.

Land Tenure Laws of 1932 and 1938

New tenure laws were promulgated in 1932 and 1938, which recognized four forms of tenure system and inaugurated a cadastral survey to be conducted by Settlement Committees.

In the 1932 law lazmah tenure was introduced. This type of tenure was designed to recognize prescription of rights to tribal lands. In practice, however, this law opened the way for the influential groups and sheikhs who have benefited from this provision. The law had indicated that lazmah grants could be obtained on proof that the land was cultivated for at least three consecutive years. Land settlement officers who were inexperienced and subject to the influence of the sheikhs and other persons, accepted from such persons the most flimsy proofs. In this way, a high proportion of the lands was transferred to the sheikhs, who became the legal owners.²⁶

Furthermore, the lazmah tenure system had provided an opportunity for city merchants and moneylenders who had established irrigation pumps to get some lands under lazmah tenure.

After all, the law provision enabled the state to

²⁶Hassan M. Ali, op. cit., p. 65; IBRD Report, op. cit., p. 141.

rent Miri Sirf (state) land for a period of not more than six years. This enabled the landlords and sheikhs to control these lands. Due to the fact that tribesmen could not afford to pay the rent, they had to work the land as sharecroppers.

The Rights and Duties of Cultivators Law of 1933

In 1933, the government passed a law "Governing the Rights and Duties of Cultivators" which in fact served the interest of the landlord rather than that of the sharecropper. The law legally had the effect of making the fellah (peasant) serf tied to the land and landlord. Article 13 of the law stated that when a peasant sharecropper was dismissed or moved from the land he must pay his agricultural debt to the landlord immediately and that while the debt was unpaid, unless a certificate of release was obtained from the landlord, employment elsewhere in the economy was prohibited.²⁷ As the peasant was perpetually in debt, the landlord legally made sure of his labor supply and thereby denied flexibility of supply to other interests.²⁸

²⁷ Government of Iraq, Law No. 28 for 1933.

²⁸ Kathleen M. Langley, The Industrialization of Iraq (Cambridge, Mass.: Harvard University Press, 1961), p. 68.

Land Ownership

While the Land Settlement Laws of 1932 and 1938 failed to correct the land distribution problem, they were, however, the beginning of a cadastral survey, and set up a land classification system still in use. This classification recognized four basic categories: mulk, land which is held in absolute private ownership; matruka, land reserved for public purposes, i.e., roads, unsettled public pasture, threshing floors, etc.; waquf, land held in trust for religious or charitable purposes; and miri, land which is state-owned and broken into three subcategories. These subdivisions are: miri-tapu, land held in permanent tenure from the state, with the holder able to sell, mortgage, or will his right to this land to others; miri-lazma, land similar in tenure to miri-tapu land, except the state may veto any transferrals; and miri-sirf, land which belongs absolutely to the state and under its effective right of disposal.

By 1958, some 32,154,813 donums had been classified as shown by Table 6.

Size of Holdings

The Agricultural Census of 1958-59 provides a classification of numbers of agricultural holdings in size-groups.

TABLE 6

TYPE OF LAND OWNERSHIP CLASSIFIED
BY THE CADASTRAL SURVEY, 1958

Type	Donums	Percentage
Miri		
(a) Tapu	12,481,588	38.82
(b) Lazma	10,587,676	32.92
(c) Sirf	4,683,560	14.57
Waquf	439,075	1.37
Private land (mulk)	357,988	.80
Unsettled land	3,704,916	11.52
Total	32,154,813	100.00

Source: Government of Iraq, Agricultural and Livestock Census of Iraq for 1958-59 (Baghdad: Government Press, 1961), pp. 2-6.

For the purpose of the Census, a holding is a unit of management, not a unit of property. It is defined as "a farm or agricultural estate organized as one unit." Table 7 shows distribution of holdings by size in Iraq.

If we assume that for each agricultural unit there is one owner, this means that the total number of landowners constitute only 1.9 per cent of the total population in Iraq. Also Table 7 shows that about 91 per cent of cultivable land is owned by about 26 per cent of the total landowners; and that the total number of those working on the land (landless) is 1.5 million. This is indicative of the small number of

TABLE 7
DISTRIBUTION OF HOLDINGS BY SIZE, 1958-59

Size group (in donums)	No. of Holdings	Area covered (in millions)	Share of total area as %	No. of landowners as % of total population
Under 100	92,024	2	9	1.416
100 and under 1,000	29,402	7	31	.452
1,000 and under 10,000	3,347	9	40	.051
10,000 and over	272	4.5	20	.004
Total	125,045	22.5	100	1.923

Source: Derived from Talat El-Shaibani, Reality of Landownership in Iraq (Baghdad: Dar Al-Ahali for Publication and Distribution, 1958), pp. 12-13.

peasant proprietors. On the other hand, holdings of over 1,000 donums accounted for 60 per cent of the total of privately owned land.

According to Table 7, the property in land holdings was classified into four types according to the area. Those land ownerships under 100 donums were considered as small units, the ownership between 100 and less than 1,000 donums were considered as medium-sized units and ownership over 1,000 donums and less than 10,000 donums were considered as large units. Holdings over 10,000 donums were considered as abnormal, or very large units.

From this classification we find that small farms with less than 100 donums constitute about 74 per cent of the total numbers of land ownership but the area they constitute is only 9 per cent of the total cultivable areas. Medium-sized units with 100 and less than 1,000 donums constitute only 23 per cent of the total agricultural units, but the areas occupied by these units constitute only 31 per cent of the total cultivable land.

The large and very large agricultural units with 1,000 donums and over constitute 2.8 per cent of the total ownerships in Iraq, but they occupy about 60 per cent of the total cultivable land.

However, the importance of large holdings is underestimated by these figures. The cadastral survey has proceeded by areas known as units. In a number of cases landowners have holdings in several units but these have been registered as separate holdings. According to the cadastral survey, there is only one holding in Kut province in excess of 100,000 donums (namely 174,251 donums). But the IBRD Report showed that there were several holdings well over 300,000 donums.²⁹ Also Dr. Warriner shows that two landowners are reported to own properties exceeding 1 million donums, and five or six others are credited with properties of about half a million donums.³⁰

After this statistical survey, it appears that land tenure and land ownership in Iraq have been complicated. Redistribution through legal means has created large feudal holdings and pitifully small operational units which have not served to improve production in general or the social and economic conditions of tenant cultivators. Mobility of peasants was further reduced by laws favorable to the landowner.

²⁹IBRD Report, op. cit., p. 141.

³⁰Doreen Warriner, Land Reform and Development in the Middle East (2d.; London: Royal Institute for International Affairs, 1962), p. 142.

Legislation forbade the peasant to leave the land he cultivated while indebted to the landlord, and most peasants were in debt. The Land Settlement Laws were to have been an improvement, but as was stated in the FAO Report of 1959, "there was probably no single cause of abject poverty greater than this system which divided the agricultural land into large holdings, which were subdivided into pitifully small operational units."³¹

³¹Quoted in U. S. Department of Agriculture, op. cit., p. 9.

CHAPTER II

HISTORICAL EXPOSITION OF AGRARIAN PROBLEM IN IRAQ

In the following pages, primary attention is given to the validity and importance of some earlier suggestions and proposals regarding the agrarian question in Iraq. Pre-1958 Land Settlement Program is also evaluated here. Finally, economic and social problems associated with land ownership and land tenure conditions are discussed.

Four Western Views on the Agrarian Problem in Iraq

Several writers have already begun the task of discussing the agrarian problem in Iraq and have come to different conclusions and suggestions. The following are the main points and proposals presented by some Western writers.

1. Inadequate Water Supply: Some have suggested that the agrarian problem in Iraq is caused by a shortage in water supply. Atkenson, for example, has made a statistical comparison between the situation in Iraq and that in Egypt as shown by Table 8.

TABLE 8

WATER SUPPLY IN EGYPT AND IRAQ, 1949

Average quantity of water (in cubic milliard)	Tigris and Euphrates 71	Nile 82.7
Maximum amount of fertile land (in millions of feddan)	Iraq 19.7	Egypt 8.3
Population (in millions)	Iraq 4.75	Egypt 17

Source: T. El-Shaibani, Reality of Landownership in Iraq (Baghdad: Dar Al-Ahali for Publication and Distribution, 1958), p. 31.

It is clear from the table that the quantity of water provided by the Nile River is greater than that provided by the Tigris and Euphrates Rivers in Iraq, although the fertile land in Egypt is less than that in Iraq.

According to this approach, the water supply in Iraq will be a critical factor in determining cultivated land in Iraq and will limit the extension of agricultural land.

On the other hand, the KTAM, a New York engineering firm, has emphasized that Iraq has a surplus of water which could irrigate all the cultivated and cultivable land in Iraq. Naturally, this assumption denies the existence of any agrarian problem with regard to water supply.

2. Shortage of Labor Supply: This concept relates the agricultural problem in Iraq to the shortage of labor force. Bonne has indicated that the underdevelopment of Iraq's agriculture is due to the lack of people, which accounts for the miserable conditions of life prevailing among the rural population. What Iraq, he says, most required was people.

Once more, Bonne has emphasized this question as follows:

The shortage of labor, especially for the cultivation of large irrigated stretches, is so acute that it has led to the institution of quasi-compulsory labor on the part of the "fellahin"¹ together with the abolition in fact of their right to freedom of movement.²

This question was also emphasized by D. Warriner in 1948, when she said, "an expansion of agricultural area in Iraq would require a comprehensive plan for the purpose of encouragement of agricultural labor migration from other countries to Iraq, and this action necessitates a complete study of population density in other countries concerned."³

¹Fellahin = plural of fellah, or peasant.

²Alfred Bonne, State and Economics in the Middle East (London: Routledge and Kegan Paul, LTD, 1955), p. 132.

³D. Warriner, Land and Poverty in the Middle East, p. 132.

In 1949, the United Nations Mission to the Middle East declared that:

Although Iraq has great potential for agricultural development; it is difficult to assume any agricultural development in Iraq as long as the prevailing agricultural methods remain unchanged and the country is "underpopulated," (and the population is small in relation to the country's resources).⁴

The mission suggested two solutions: first, encouragement of migration in Iraq, and secondly, the introduction and use of mechanization in the agriculture.

In addition more emphasis was put on lack of skilled labor in the agricultural sector.

One should not fail to mention that those studies were made during the 1940's when the population of Iraq was about four million; since then the growth rate of population in Iraq was rapid and by 1966 the population was doubled (in 1966 Iraq's population was estimated at about 7.5 millions).⁵

While the country's past record shows that Iraq had supported 20 millions or more, the present population of Iraq is only 7.5 millions. Such a reduction in population may

⁴United Nations, Department of Economic Affairs, Mission for the Middle East, Final Report of the United Nations Economic Survey, Part II (New York, 1949), p. 31.

⁵Government of Iraq, Law No. 87 of 1965, The Five Years Economic Plan 1965-69 (Baghdad, 1965), p. 75.

itself be a phenomenon to be explained in terms of insufficient investment, employment, and income.

There is no reason, however, to expect the size of population per se to exercise a major influence on economic development by inducing more investment for the following reasons: (1) As far as the relation of population changes to effective demand is concerned, it is not the number of people but the increase in purchasing power. An increase in the number of people does not broaden the market. (2) On the other hand, one does not expect an increase in labor supply to affect investment by exercising pressure on the wage level and leading to higher profits, thus promoting capital accumulation and rendering investment at the same time more attractive to the capitalist entrepreneur.

With the absence of investment, population increase would lower the wage level due to the competition for jobs among workers. This would lead to further reduction in aggregate consumer's demand which in turn will discourage investments. Further, the availability of cheap labor would tend to weaken the incentives to introduce labor-saving techniques, the application of which in itself represents an important investment opportunity. Thus the increase of labor supply and the cheapening of labor might lead not to growth

of investment and output but rather to growth of unemployment. Such a result is suggested by the experience of underdeveloped countries that cannot complain about insufficient supply of labor.

In fact, the presence of technological progress and investment projects will call forth the labor supply that is needed for their realization. The experience of Iraq during the 1950's and early 1960's, when the development expenditures and public investments rose sharply, indicated the possibility of obtaining labor at low wages, and there was not much increase in consumption, because the supply of unskilled labor was inelastic.⁶ "Lack of opportunities in the rural areas, and Iraq's first efforts at industrialization have resulted in a drift of rural labor from the countryside to the cities--thus crowding urban centers with unskilled laborers well in excess of the demand."⁷

3. Shortage of Capital: Some writers have considered the agrarian problem in Iraq as caused by the acute shortage of capital invested in land. The lack of capital, according to this view, has contributed to uphold the stationary

⁶D. Warriner, Land Reform and Development in the Middle East, p. 132.

⁷U. S. Department of Agriculture, op. cit., p. 13.

character of the agricultural economy.⁸

This shortage of capital, the argument goes, is due in part to the low productivity and in part to the distribution of the returns from cultivation which by virtue of the land tenure systems prevailing deprived the actual cultivator of his full rights. The landlords who receive the rent of land and the interest charged on advances to the farmers consume this revenue rather than invest it in the land.

There is no question about the validity of this argument, but the question which may be raised is this: will capital investment, without touching the other social and economic factors, lead to agricultural development and, since landlords do not make investment in their lands, then who is going to do the investing--the State? If the State does this, then who is going to benefit from these investments, the landlords or the peasants?

The essential factor of economic development is the increase in the productivity of agriculture. This is achieved in three ways. The first one is the accumulation of part of the product of the economy for purposes of productive investment; the second is technical progress; and the

⁸ A. Bonne, op. cit., p. 161.

third is the improvement of organization of economic activities. All these three ways of increasing the productivity of human labor in agriculture are related one to another, appear in every developing economy, and are common to all patterns of economic development. Of these, productive investment is the most important.

In Iraq, the stagnation of agriculture was maintained by the existence of various obstacles. Some of these obstacles are these: There was very little capital which could be invested productively. This is not to say that capital is scarce in Iraq but that very little of the available capital found its way into productive investment. With the low productivity of a peasant, the income saved after meeting society's need for consumption was very small. In addition, the major part of this saved income was used for non-productive purposes. This was due to the prevailing feudal system. The patterns of economic activity were determined by tradition which was not conducive to innovation, nor to improvement in the technology of production. These factors contributed to perpetuate the agricultural stagnation in Iraq.

In order to start development these obstacles must be overcome. This implies overcoming the feudal system of social relations and the mentality of traditionalism attached to it.

This is necessary in order to be able to utilize a major part of the available resources for purposes of productive investment.

Up to 1958, Iraq's investment was over 20 per cent (in some years reached 27 per cent) of the national income.

The Development Board's activities during this period were concentrated on irrigation, flood control, and drainage projects which accounted for more than 30 per cent of the planned expenditures for development. However, the benefit from the extension of the cultivated land was realized only by those who were able to claim land.⁹ It was said that the Kut barrage, for example, mostly benefited three men, one of whom owned an estate the size of Switzerland, while the peasant sharecropper became increasingly in debt to the landlord and merchant.¹⁰ This situation was described by the FAO Report as follows:

The failure to raise the standard of living and to achieve economic growth was the direct result of the deep social unbalance in the country due to the concentration of land ownership in few hands. The laws ostensibly framed to secure the land to those who worked on it served, in fact, to entrench the powers

⁹The Development Board's policy is discussed at greater length in Chapter VI.

¹⁰Caractacus, Revolution in Iraq (London, 1959, p. 37.

of a small minority. Thus the abject poverty of the landless workers was not mitigated directly through the development projects, though the elimination of floods did negatively contribute to the welfare of all.¹¹

With extreme backwardness, illiteracy, inadequate health conditions, lack of educational facilities, and defective tribal feudal system, Iraq, even though it has abundant amount of capital and is endowed with a potential supply of land and water resources, could not solve its agrarian problem. The medieval relations prevailing in the countryside halted progress in agriculture. "The lavish sums devoted to the Development Board resulted in the enrichment of contractors and landlords and bureaucrats while the country stagnated."¹²

4. Institutional Reform: This approach was suggested by Dr. Warriner. Warriner indicated that the main factor contributing to underdevelopment of Iraq's agriculture is the prevalence of "Institutional Monopoly" in land ownership linked with a monopolistic supply of capital to agriculture: "the great landlordship of South Iraq resembles the Lati Fundia of Latin America in its broad social and economic

¹¹FAO Report, op. cit., p. 127.

¹²Harvey O'Connor, World Crisis in Oil (New York: MR Press, 1962), p. 314.

effects,"¹³ where great estates, worked by semi-serf peons, effectively prevent access to landownership for the farm laborers, keeping wages low and land use extensive.¹⁴

Dr. Warriner shows that the need for reform is two-fold: a social need for higher income for the cultivator, and an economic need for better farming through more investments and better methods.¹⁵

Dr. Warriner has put the blame on the land system and considered it as responsible for the great inequality of incomes, the lack of an expanding market, the low wage influx into the slums, and the lack of agricultural policy. "Without land reform the oil money can do little to raise the standard of living."¹⁶

Early Attempt at Reform

The land, which ought to be a primary source of wealth in Iraq is kept unproductive by the tribal feudal system which dominated the country. Yet agriculture remains

¹³D. Warriner, Land Reform and Development in the Middle East, p. 7.

¹⁴Ibid., p. 6.

¹⁵Ibid., p. 7.

¹⁶Ibid., p. 7.

the only base, in Iraq's economy, from which to initiate general economic development. The nature of this system is expressed in the simple fact that the land is largely owned by a very small group of tribal sheikhs, aghas, and city landlords.

This system of land tenure is characterized by the following features: (1) Within the rural sector a few landlords received a greater share of the produce and at the same time no attention was paid to improving agricultural productivity.¹⁷ Furthermore, since the agricultural sector comprised about 78 per cent of the population and produced only 20 per cent of the national income, the peasant's income was further affected in favor of the urban population.¹⁸ Thus the poor peasants, who constitute the majority of the people, cannot be expected to generate savings for investment on the land to improve productivity, nor can it generate any sizable demand which would encourage an industrial development. (2) Most of the peasants have no draft animals or equipment and

¹⁷K. M. Langley, "Iraq, Some Aspects of the Economic Scene," The Middle East Journal, XVIII (Spring, 1964), 180-88.

¹⁸Abbas Alnasrawi, Financing Economic Development in Iraq (New York: Frederick A. Praeger, Publishers, 1967), p. 66.

still use tillage methods that are little different from those that were used centuries ago. No animal manure or commercial fertilizer is used and crop rotations are not practiced. Farming practices are based on the fallow system which involves cultivating only less than half of the cultivated land.¹⁹ (3) Inadequate irrigation and drainage facilities are among the factors which limit any improvement of agricultural productivity.

Under these circumstances, the development policy would be expected to include a development program which would provide better distribution of income, improved methods of cultivation, and provision of drainage and irrigation facilities.

Instead, a considerable portion of the Board's investments were concentrated in the areas of engineering and physical works projects: dams, water schemes, flood control, reservoirs, and drainage. These capital investments were financed mainly at the expense of public revenues, derived from oil royalties. Improved production on existing land would increase incomes. Most of the existing cultivable land, however, was privately owned or held on leases (tapu or lazma)

¹⁹U. S. Department of Agriculture, op. cit., p. 13.

that approximated ownership; thus the incomes of the landlords would inevitably have increased without an improvement in the conditions of the tenant sharecroppers.

As a result, there was a great demand for more equal distribution of income and the need for an agrarian reform program.

Instead of launching a program to improve and develop the existing conditions in the agricultural sector, the government launched its land "settlement program" utilizing selected areas of state-owned (Miri Sirf) land to settle small landowners. This moderate reform assumed that the tribal feudal system would not disappear and that it would have to compete with governmental schemes such as Dujaila project. Why was this indirect and slow solution adopted? "By concentrating on the development of Miri Sirf lands, the board apparently hoped to circumvent the problems of land tenure, taxation, and payment of services rendered by the use of public funds."²⁰ Dr. Warriner has given the answer as follows:

No legislation which would infringe on the property rights of the large landowners can secure parliamentary approval. The parliament is composed of the landowners, who secure election by means of their dominance over the cultivators, and this dominance

²⁰K. M. Langley, The Industrialization of Iraq, p. 122.

is unquestioned by any internal political force.²¹

"In the meantime, successive governments have usually felt that new legislation on land tenancy must be kept within the bounds of what will not be actively resisted by land-owners."²²

Miri Sirf Land Development Laws

The policy of land reform was initiated by the promulgation of MSLD law no. 23, 1945, entitled "The Dujaila Land Development Law." Under this law the state lands in the new Dujaila canal were to be distributed among the peasants free of charge. This law was approved by the parliament because the sheikhs landowners in the neighborhood of the Canal hoped to get the new irrigated state lands for themselves. According to some writers, the sheikhs were able to secure nearly half the new land as their registered property.²³

The land was divided into plots ranging in size from 100 to 200 donums, and from 50,000 applicants, only 1,540 persons were given land.

²¹D. Warriner, Land Reform and Development in the Middle East, p. 157.

²²Lord Salter, op. cit., p. 54.

²³D. Warriner, Land Reform and Development in the Middle East, p. 159.

In 1951, a new law authorized the establishment of a special department to make arrangement for settlement of uncultivated areas. This department was concerned with the granting of land to new settlers following the same pattern of the Dujaila project.

The Development Board planned to develop about 6 million donums of new land and expected to have realized about one-sixth of its goal by 1960.²⁴ Many advantages were claimed; the farmer will be benefited from this reform, because he will become a landowner instead of a tenant, hence his income will be improved, and he will try to raise his production. Secondly, the existence of such projects would cause a shortage of labor force on the land of large estates and this will induce the landlords to improve the conditions of the farmers.²⁵

By early 1958, 4,200 families had settled in seven settlement areas; 1,540 families had settled on the Dujaila project, and 935 families had settled on the Sinjar scheme. In addition, 431 families had received cultivable land in the latest area, the Mussayib project, an area of 303,000 donums.

²⁴K. M. Langley, The Industrialization in Iraq, p. 122.

²⁵N. Burns, "The Dujaila Land Settlement," The Middle East Journal, V (Summer, 1951), pp. 77-79.

Most of these families had received cultivable land that did not include experimental and extension centers.²⁶

Table 9 shows land settlement projects in Iraq. In addition to the smallness and slowness of distribution, these figures are inaccurate and misleading. The Sinjar scheme

TABLE 9
MIRI SIRF PROJECTS IN OPERATION BY 1957

Name	Date Opened	Size of Project (in donums)	Units Distributed	Size of Units (in donums)
Dujaila	1945	250,000	1,540	100
Hawija	1950	37,650	462	200
Shahrazoor	1951	32,500	380	70
Latifiya	1952	25,000	442	50
Makhmoore	1953	7,200	100	18 2/3
Sinjar	1956	1,000,000	935	150-300
Mussayib	1956	303,000	431	66
Total		1,644,350	4,200	

Source: Warren E. Adams, "The Pre-Revolutionary Decade of Land Reform in Iraq," Economic Development and Cultural Change, XI (April, 1963), p. 272.

²⁶The Government of Iraq, The Development Board and Ministry of Development, Second Development Week (1957).

accounts for the greater part of this distribution, but according to some authors, large areas of the best state land in this region have been granted in registered title to some of the powerful sheikhs in the region.²⁷ Furthermore, the president of the MSLD program reported that the total areas distributed to small settlers amounted to only 232,960 donums and the number of beneficiaries was 3,434.²⁸

Defects of Land Tenure Projects Tried

Physical and geographical differences, lack of flood control and drainage facilities, fundamental education, medical services, mismanagement, and landlords' opposition were among the factors responsible for MSLD failure.

The projects were opened without preparation for detailed soil studies and construction of drainage system. A short time after the settlement of Dujaila, flood took over the area due to the lack of protective dikes. Due to salinity a large area of Dujaila was either abandoned or planted sparsely with the result that the yield was very low. As a result of this destruction of fertility of the soil, about 300 peasants had to move to another area. Salinity also

²⁷ D. Warriner, Land Reform and Development in the Middle East, p. 161.

²⁸ Hassan M. Ali, op. cit., p. 175.

caused a fall in the yield from 400kg. per donum in the earlier years to 250kg. per donum.²⁹

The MSLD law provided that a certain percentage of the holdings shall be allocated to graduates of agricultural school, officers of army and police, religious schools, and civil servants. This provision opened the way to a mass of non-agriculturists and led to the creation of absentee landlords. None of these individuals was ready or had the desire to settle on the projects and cultivate the land by himself, preferring to live in Baghdad or Kut, not on the projects. This provision was disapproved of by the Bank Mission, which had emphasized that it would be a serious danger, that these types of beneficiaries would tend to become landlords who would entrust the farming of their plots to others.³⁰

In Latifiya project (30 miles from Baghdad), 40 per cent of the settlers were ex-officials and ex-service men, who generally sublet their holdings.³¹

The selection of this type of settler retarded the improvement of the program and created a sharecropping

²⁹D. Warriner, Land Reform and Development in the Middle East, p. 165.

³⁰IBRD Report, op. cit., p. 15.

³¹Warren Adams, op. cit., p. 274.

system. This fact was emphasized by Warren Adams:

Absentee owners and tenants of Latifiya were a barrier to improvement program and produced little improvement over surrounding feudal agriculture and were contravention of the law. Resident settlers lacking agricultural experience also raised serious problems.³²

Attempts were made to establish agricultural cooperatives which terminated in failure. Many factors were responsible for the failure. Among these were cultural, educational, and religious ones. However, the main factors responsible for this failure were the active role played by the landlords who opposed the MSLD program from the beginning and the lack of a suitable environment for the technicians and government employees on these projects.³³

Lack of credit was apparent and a high percentage of the settlers on these projects were indebted to their former landlords.³⁴ The burden of usury and moneylenders was rising. It was reported that many settlers were sinking into debt and paying interest rates well over 100 per cent. It seems there was a tendency to pass the development benefits to the money-

³²Ibid., p. 282.

³³Ibid., pp. 282-3.

³⁴D. Warriner, Land Reform and Development in the Middle East, p. 170.

lenders rather than the settlers.

In fact, the opening of new projects seemed to be expensive. It was estimated that about ID 300 was required to settle one farmer. The best, and a great portion of the land, had been registered in the name of the big landlords. Much of the state land had been abandoned and not registered as private property because it was marginal and less fertile, as in the cases of the Sinjar and Shahrazoor projects. Even in the cases of the Dujaila and Sinjar projects, the MSLD law did not prevent the sheikh landlords from securing half of the newly opened land as their registered property.

In sum, these types of land reform in general are mainly resettlement programs. They do not involve the break-up of large estates, but the opening of new lands, their reclamation, and the transfer of peasant populations to these previously uninhabited areas. Aside from the callousness involved in transferring indigenous peasant populations from soil to which they have been attached, such "reforms" have serious economic and political drawbacks. In particular, they do not break the political power of the landlords. Hence, the landlords are able to resist adequate land-taxation and land-utilization.

For these reasons a frontal attack on the big estates

would surely have to be made for the sake of economic efficiency and fiscal equity, even if all the landless agricultural workers could be provided for by the opening of potentially cultivable lands. This is so because the problem of agricultural development in Iraq is not to expand the cultivable land but to concentrate on improving the agricultural productivity of the existing land which is kept unproductive and under-utilized.³⁵ "As land reform or tax reform was blocked, the government hoped to alleviate inequality by extending the irrigated areas rather than by intensifying cultivation on already farmed land."³⁶

The FAO Report described the situation as follows:

The extreme inequality in the land distribution, together with the system of sharecropping and the effort to by-pass the need for a reform of the system by opening up new settlements, rather than draining existing irrigation areas, combined to render a catastrophe well-nigh inevitable.³⁷

Land taxation presents a similar story. In Iraq, there is no land tax. There was one form of tax which was imposed on agricultural products sold at the market. This tax was a consumption tax because its amount was paid by

³⁵K. M. Langley, The Industrialization in Iraq, p. 122.

³⁶FAO Report, op. cit., p. 128.

³⁷Ibid., p. 128.

the buyers of agricultural produce and not the landlords. The 1956 tax law abolished the agricultural tax-istihlak, and no landlord was subjected to any form of taxation, including income tax. Thus, due to the absence of land tax, agricultural land value was inflated and a rigid land distribution pattern was encouraged. The absence of such charge on absentee owners of estates and an income tax on large landowners has discouraged a needed deconcentration of ownership, or a more intensive and more productive use of land, or both.³⁸

Early in 1952, the state passed a law by which it assumed power to control the rents. The law determined the share of the cultivator in the produce of the land and it provided that the landlord may not take more than 50 per cent of the produce. It also prohibited the landowner from making special levies such as raising money from the farmers in order to buy a car for the landlord or to educate his son abroad, a practice which was in common use. However, this law was not enforced. This fact was emphasized by the president of MSLD Committee when he said:

This law does not improve the miserable conditions of the peasants, since the application of the law

³⁸United Nations, Department of Economic Affairs, Progress in Land Reform: Third Report (New York, 1962), p. 6.

is greatly doubted, and even if applied, the peasants' share of the crop is far from being enough to cover the cost of reasonable living.³⁹

In 1952, the parliament passed the Amara Law, by which the peasants were entitled to claim land, but it was in fact so worded and executed that sheikhs and their families grabbed most of the lands available. Consequently, the peasants exercised their right of appeal against the decisions of the settlement officers. The result was that the sheikhs retaliated by destroying their houses and turning out their families. The peasant's response to this action was migration.⁴⁰

A bill providing for the cost of drainage to be met in installments by the owners of the land was passed by the Chamber of Deputies in 1954. However, it was not approved by the Senate and did not become law.⁴¹ Again, in 1956, a law passed by the parliament rendered income from the rent of agricultural land liable to income tax. In 1957, an attempt was made to meet the budget deficit by taxing the capital value of landed estates. None of these laws was

³⁹Hassan M. Ali, op. cit., p. 135.

⁴⁰D. Warriner, Land Reform and Development in the Middle East, p. 153.

⁴¹Lord Salter, op. cit., p. 55.

executed.⁴²

The Economist wrote that an imposed land reform was the only way of making the irrigation program pay its way, since to settle peasants at ID 300 a head on second-best land is financially as well as socially unsound.⁴³

Thus the Development Board's development policy was far too slow to relieve the peasants of their poverty and failed to stop the peasants' flight to big cities.⁴⁴ Dr. Warriner observed that rural exodus from Amara province was proceeding at a rate of ten lorry loads a day for Baghdad.⁴⁵ The Economist emphasized that sheikhs in the Amara area were complaining early in 1957 that they had no one to row them to market, and no beeters, because "their" peasants had gone off to look for an alternative employment.⁴⁶ One of the big landlords in Arbil area declared that in a few years' time

⁴²"Development in Iraq," The Economist in Middle East in Transition, edited by W. Z. Laqueur (New York: Frederick A. Praeger, Publishers, 1958), pp. 278-279.

⁴³Ibid.

⁴⁴FAO Report, op. cit., p. 127.

⁴⁵D. Warriner, Land Reform and Development in the Middle East, p. 154.

⁴⁶Ibid., p. 133.

there would be no labor left on the land at all.⁴⁷

Thus since the state failed to stimulate the enactment of significant reforms, it is not surprising that the minimal goals of economic development were not approached either.

The Economic Impact of Feudal Organization of Agriculture

From an economic standpoint, it is necessary to investigate the impact of the feudal system on the following: (1) agricultural productivity, (2) standards of living of the peasants, and (3) saving and investment.

Low Agricultural Productivity

The landlord is not mainly concerned with raising the productivity of the land but with preserving his social status and maintaining his political power. He leaves his farm's management to his sirkal (agent) who collects rents and gives instructions to the farmers as to what and how much to cultivate. The landowner makes little, if any, investment in the land.

The sharecropper has no incentive to improve the land by making investment or utilizing modern methods due to

⁴⁷Ibid., p. 133.

the following factors: first, the insecurity of tenure discourages long-term investment; second, any increase in the yield will be taken by the owner who did not contribute to its cost in labor or capital, and third, with a very low income the sharecropper is unable to make any investment.

Agricultural production is produced by subsistence peasants who in turn constitute the bulk of the labor force. Their productivity (per man and per acre of land) is extremely low. The peasants' marginal productivity is so negligible that a departure from agriculture of a sizable part of the rural population would not lead to a reduction of aggregate output. The productive efficiency of the fellah is very low, even as judged by Middle Eastern standards. Wheat, rice, and barley yields, which are the main crops in Iraq, are the world's lowest.

From 1930 to 1948, the cultivated area increased by 95 per cent of the previous area, while at the same time, the country's population increased by 75 per cent. Virtually, this might indicate that the Iraqi peasant's efficiency was improved. However, according to the official statistics, no increase in productivity has been achieved. The United Nations report in 1949 concluded that the per capita productive capacity of the fellah has altered but little since

TABLE 10

CROP YIELDS IN IRAQ AND OTHER COUNTRIES
(Average three years, 1955-57, crop per hectare, in 100kg.)

Country	Wheat	Barley	Cotton	Rice	Tobacco
Iraq	5.6	8.6	1.6	1.6	7.0
Turkey	10.0	12.1	2.4	3.2	6.8
Iran	9.3	10.0	2.7	3.2	6.8
Egypt	23.1	23.1	4.8	53.9	---
U.S.	13.8	15.4	4.4	31.7	17.0
U.K.	32.2	30.2	---	----	----
Denmark	40.0	36.7	---	----	----
Australia	22.7	10.7	1.3	48.6	9.2
Italy	18.2	12.2	2.2	49.2	14.8

Source: FAO, Year Book of Statistics (New York, 1958).

1918.⁴⁸ Since 1945 cultivated area has been doubled. However, as Table 11 shows, the absolute amount of principal crops has been decreased. The increment in the produce is less than the increment in cultivated area. With the widespread progress in technology and the advantages of large-scale production, productivity might be expected to have increased.

Despite the fact that the acreage of cultivated land, reduced to per capita basis, is 3 to 3.5 acres compared with

⁴⁸United Nations, Department of Economic Affairs, Mission for the Middle East, Final Report of the United Nations Economic Survey, Part II (New York, 1949), p. 31.

the Asiatic average of only 0.5 acre per head, Iraq was a net importer of agricultural products instead of a net exporter. Agricultural imports rose from ID 10 million in 1951 to ID 23 million in 1957.⁴⁹

TABLE 11

ACREAGE AND OUTPUT OF PRINCIPAL FIELD CROPS, 1935-1955
(Million donums and million tons)

Crop	1935		1945		1955	
	Area	Output	Area	Output	Area	Output
Wheat	2.64	0.48	3.00	0.40	5.70	0.45
Barley	2.97	0.58	3.30	0.65	4.82	0.76
Rice	0.61	0.21	0.78	0.25	0.22	0.08

Sources: United Nations, Department of Economic and Social Affairs, Economic Development in the Middle East 1945-1954 (New York, 1956), p. 94; United Nations, Statistical Year Book (New York, 1956), pp. 79, 82, and 84.

It follows from the above tables that the deterioration in the agricultural sector was very considerable, despite the country's historical record which pointed out that Iraq has in the past supported a much greater population than the present one.⁵⁰

⁴⁹Government of Iraq, Statistical Abstract 1954-1957 (Baghdad, 1958).

⁵⁰U.N., Mission for the Middle East, Final Report of the U.N. Economic Survey, II, pp. 32-35.

In Iraq estates are large units of operation, but leased to tenants in small lots. The average size of peasant farms is very small. Cultivators hold these plots on a customary basis, with no legal agreement to define their obligations. The peasant does not even cultivate the same plot of land from year to year; the landlord changes the distribution of these plots from year to year. The peasant therefore has usually one aim, to get the best out of his plot during his short tenancy, regardless of the effect on the fertility of the soil.⁵¹

Under this land tenure system, the fellah is a sharecropper contributing his labor and receiving a certain portion of the produce as his labor price. The Iraqi type of estate ownership is sometimes described as absentee-ownership. Non-residence of the landlord leads to a growth of intermediary rent collectors who take a share in the product and so increase the burden of rents. In most cases, the landlord provides only the land, and is a rent receiver only, contributing no productive services. Even when working capital is provided by the landlord, the lack of work opportunities outside the agricultural sector enables landlords to exact rents

⁵¹U.N., Mission for the Middle East, Final Report of the U.N. Economic Survey, II, pp. 32-35.

greatly exceeding that which economists would care to justify on the basis of required growth incentives, and the elements of pure rent form the greater part of the income received.⁵²

It follows that the tenancy system in Iraq is a powerful obstacle to agricultural improvement. First, the tenant has little incentive to increase his output, since a large share in any such increase will accrue to the landlord who has incurred no part of its cost. Secondly, the high share of the produce taken by the landlords may leave the tenant with a bare subsistence minimum, with no margin for investment. Thirdly, it means that wealth is held in the form of land, and that the accumulation of capital does not lead to productive investment.⁵³

Standards of Living of the Peasants

The conditions under which the rural population lives are truly miserable; the standard of living is extremely low, while credit and aid from the state do not reach them. Dr. Warriner described these conditions as follows:

Near starvation, pestilence, high death rates, soil erosion, economic exploitation. . . this is the pattern of life for the mass of the rural population. It is a poverty which has no parallel in Europe,

⁵²Ibid., p. 17.

⁵³Ibid., p. 18.

since even clean water is a luxury. Money incomes are low, ID 5 to ID 6 per head per year--but money comparisons alone do not convey the filth and disease, the mud-huts shared with animals, the dried dung fuel. There is no standard of living in the European sense--mere existence is accepted as the standard.⁵⁴

At least four out of every five peasants get no cash incomes for their toil. They are paid in kind, sometimes as little as two-sevenths share of the produce. ". . . the peasant in most districts obtains a small part, generally below one-fifth of the crop of the land he farms. It may even fall to 1/25 of the total product."⁵⁵

In 1958, the agricultural sector produced ID 89.2 million, while the agricultural population was estimated at 4.67 million.⁵⁶ At best, let us assume that the share of the landlords of this produce will be 50 per cent; then the average per capita income of the rural population is determined at about ID 10.⁵⁷

⁵⁴D. Warriner, Land and Poverty in the Middle East, p. 1.

⁵⁵M. J. Oboosy, "A Study in the Theory of Economic Development with Reference to Iraq," Middle East Economic Papers (American University of Beirut, Economic Research Institute, Beirut, 1954), p. 138.

⁵⁶K. Haseeb, "National Income of Iraq 1962-1963," (Baghdad, 1965), mimeographed, p. 20.

⁵⁷The per capita annual income of the Iraqis for the year 1958 is reported to be ID 58.2.

In spite of this meager income, the peasant is burdened with heavy contributions to the state and numerous people, partly self-installed and partly representatives of authorities and of landowners. In addition to the state tax the peasant has to meet the claims of the sirkal and other mediating persons between his and the aforementioned claimants.

Some of the peasant's income is deducted for local expense, such as religious contribution, and often the peasant has to make some contribution to the sirkal in the form of gifts as the price of security. More often the landlord is at the same time the creditor who supplies the peasant on credit with seed and often with implements, with high rates of interest (in many cases exceeding 200 per cent). As a result of all these claims, nothing is left for the peasant. He is in fact consuming his share before the harvesting time since he again starts borrowing in order to meet his subsistence consumption. This means that reaping a harvest does not necessarily imply eating it.⁵⁸ "It is clear that the peasant cultivator of the land is," says Bonne, "a victim of the conflicting claims, upon him and upon his land, of the

⁵⁸A. Bonne, State and Economics in the Middle East (London: 2d. Routledge and Kegan, Paul, Ltd., 1955), p. 34.

state, of the Mosque, of the landlord, and of the money-lender; the various claimants disagree among themselves as to the division to be made of the peasant's produce."⁵⁹

The impact of the land tenure system is to depress the peasant's standard of living in two ways: first, it causes peasants to operate plots too small to provide a subsistence minimum for the cultivator and his family.⁶⁰ Secondly, it enables the landowners to exploit the tenant peasant, that is, to pay the cultivators less than their marginal productivity. The Bank Mission emphasized this point as follows:

In a country where capital is scarce in relation to man-power, the ability to provide the means of production, land, seed, animals and machinery almost invariably also carries with it the ability to exact a high proportion of the return.⁶¹

With the capitalist sector undeveloped, the peasants are forced to remain on the land and take the price offered however disadvantageous it may be. Under these conditions, a competitive market for agricultural labor does not exist. Not only do the peasants receive less than their marginal

⁵⁹ Ibid., pp. 132-33.

⁶⁰ U.N., Land Reform: Defects in Agrarian Structure as Obstacles to Economic Development, p. 6.

⁶¹ IBRD Report, op. cit., p. 6.

product, but the exaction of the landlord appears to be a significant cause of the backwardness of the agricultural sector in Iraq.⁶² This conclusion was also confirmed by the Bank Mission's report in pointing out that:

The depressed economic condition of the fellah or sharecropper undoubtedly retards progress. It undermines the health and vigor of the rural population, limits the market for industrial products and may in the long run jeopardize the stability of the social order. Cultivated land is largely owned by sheikhs and urban proprietors who have neither the equipment nor the knowledge to increase production. As the land assigned to the cultivators generally changes from year to year, they have virtually no incentive to improve it.⁶³

This analysis received special attention and is a strong indication of a defective agrarian structure. Ninety per cent of Iraq is illiterate, the average life-span is twenty-six years and per capita income is less than \$90 per year.⁶⁴ In the fall of 1958, Quint wrote:

The facts of life in UMM al-nahr give one pause-- 95 per cent of the villagers have at least one endemic disease, 80 per cent have at least two, and 60 per cent have at least three. Parasites such as schistosomiasis, ankylostomiasis, ascariasis

⁶²William O. Thweatt, "Economic Growth and Distribution in the Middle East," The American Journal of Economics and Sociology, 16, No. 2 (January, 1957), p. 120.

⁶³IBRD Report, op. cit., p. 122.

⁶⁴D. Horowitz, The Free World Colossus (New York: Hill and Wang, 1965), p. 191.

and amoeba infest the villagers, tuberculosis of the lungs and the bones is everywhere, bajl (a form of yaws) is prevalent and even leprosy is present. . . . After all, a doctor is a luxury. The visitor would neither see nor hear any manifestation of our 20th century and its resources of technology.⁶⁵

"The peasant," says Dr. Keen, "is imprisoned within the walls of his own agricultural system, year by year his numbers grow and the walls remain."⁶⁶ "The walls are the systems of land tenure which stand in the way of progress, wasting capital and preventing investment."⁶⁷

Saving and Investment

How does land tenure affect the accumulation and flow of capital in the economy? Speaking generally, it is extremely difficult to say with certainty why the landlords seldom invest their savings in agricultural improvement or in other business enterprises. Landlords who have managed for centuries to exact rents from land were unable or unwilling to channel these rents into productive investments.

The argument for large-scale production in agri-

⁶⁵Malcolm M. Quint, "The Idea of Progress in an Iraqi Village," Middle East Journal, XII (Fall, 1958, p. 370.

⁶⁶B. A. Keen, The Agricultural Development of the Middle East (London: His Majesty's Stationery Office, 1946), p. 109.

⁶⁷D. Warriner, Land and Poverty in the Middle East, p. 4.

culture is based on the assumption that the owner of a large estate is making capital investment and using new agricultural techniques in order to raise productivity and thereby increasing the income from the estate. This situation is absent in Iraq. The ways in which landlords usually direct their savings are often regarded as "unproductive" compared to the socially desired results that could arise were these savings employed in a manner to generate capital.

Traditionally, there were two channels into which landlords usually directed their savings. First, in Iraq, landownership is a means to superior social status and prestige, and therefore the savings of the landlords were habitually devoted to the purchase of land estates. This is quite different from making investment in land in the form of fertilizers or new techniques which would lead to an increase in productivity of land. On the contrary, it leads to the creation of more under-utilized resources. Secondly, there is a cultural aversion to savings due to the presence of traditional domestic forms of conspicuous consumption. A major portion of the landlord's income is absorbed by his excessive consumption.

In Iraq, which is almost devoid of non-agricultural employment, rents form a significant share of national income.

Consequently, the inequality in landholdings reduces the income that would accrue to the capitalist class, and this in two ways: first, by unproductive uses of the "surplus" income derived from agriculture, and secondly, by the unnecessary restriction of the domestic market due to the depressing of the wage incomes of cultivators.⁶⁸

The exceedingly high consumption standard of the landlords was considered as unreasonable. This not only reduces their savings but it is often true that traders and merchants, in an attempt to emulate the landed class, consume more than they otherwise would, and so further reduce the community's savings. Many of the landlords were maintaining a tribal feudal style of life with large outlays on housing, servants, tribal guards and army, travel outside the country, and other many luxuries. It is also true that the landed class increases its consumption standard as it attempts to emulate the western way of life.⁶⁹

Often large foreign balances are held in financial centers such as London and New York. Some savings are

⁶⁸S. B. Himadeh, "Economic Factors Underlying Social Problems in Arab Middle East," The Middle East Journal (Summer, 1951), p. 271.

⁶⁹W. Thweatt, op. cit., p. 116.

invested abroad, as distinct from mere holding of foreign balances in foreign banks, and their earnings from these investments are kept abroad to provide "safety" funds for the rich in the event of increased political instability at home.⁷⁰ ". . . such study will observe torrential flow of currency from Iraq to Lebanon in the shape of real estate investments or ostentatious consumption."⁷¹

Hoarding is another drain of saving. It was estimated that hoarding, in the form of gold, jewelry, and foreign exchange, constitutes about 10 per cent of the national income.

Lastly, the high consumption pattern leads to high rate of import which in turn decreases the rate of capital accumulation. The wealthy class often prefer foreign-made goods, not only because as is so often the case, foreign-made goods are superior in quality, but because of the "prestige" their purchase conveys. Even where the country can manufacture, say, cigarettes, beer, and soap, the richer class feels compelled to consume the products of Europe or America.⁷²

⁷⁰Ibid., p. 116.

⁷¹Jacques Berque, The Arabs, Their History and Future, trans. Jean Stewart (New York: Frederick A. Praeger, 1964), p. 86.

⁷²W. Thweatt, op. cit., p. 116.

Furthermore, with their very large incomes, the landlords and urban class often desire goods which are only obtainable from abroad, e. g., automobiles, air-conditioners, etc. To this extent there is a "leakage" in the flow of consumption expenditures. Due to the rise in development expenditures between 1950 and 1961, the value of imports increased by 357 per cent for the same period (see Chapter VI).

As land remains the only source to which savings are directed, the price of land goes up (and with it, rents) causing a large number of small cultivators to sell what little land they do own. The bankrupt small peasants use the proceed to repay their debts to the landlord or moneylenders.⁷³

This irrational attitude of the landlords was framed within the economic laws operating in Iraq. In order to organize and operate these large farms, the landlords needed to make investment in the form of tractors, tools, machines, and fertilizers. Since the non-agricultural sector is undeveloped, these machines and equipment are not made at home. They have to be imported from abroad. The cost of imported machines and equipment is very high, and since the cheap labor is available at a very low price, then it stands to

⁷³C. Iverson, Monetary Policy in Iraq (Baghdad: National Bank of Iraq, 1954), p. 70.

compete with the imported machines and equipment. Economically, the landlords would find it suitable to employ this cheap labor rather than invest in land in the form of expensive tools and tractors. Furthermore, due to the agricultural nature, the returns of capital invested in this sector tend to materialize slowly. With the prevailing high interest rate, investment in agriculture is discouraged. In addition, investment in agriculture seems very risky, due to climatic factors and the fluctuation in agricultural production. These factors do discourage the moneylenders and bankers from lending their money for agricultural investment. This is especially true if these investments are in the form of long-term loans.

In like manner, the nature of agricultural business in Iraq requires heavy investment in irrigation schemes, flood control, drainage, canal systems, etc. These types of investments, without question, will raise the agricultural productivity. But with the present rent very high and the standards of living of the fellah extremely low, the landowners will find it impossible to raise the rent on the improved land. As a result the landlords are discouraged and have no incentive to make these types of investments.

Attracted by the high rates of interest paid for

loans, the landowners have become the moneylenders and the bankers of the rural people. Trapped with perpetuating need for credit in order to meet his need for consumption funds and to keep up his production, the peasant has become the first profitable customer for the landlord moneylender. Interest rates charged on rural credit often exceed 200 per cent per annum, adding another burden to land charges.

CHAPTER III

THE AGRARIAN REFORM LAW OF 1958

The analysis of the objectives and provisions of the agrarian reform law of 1958 necessitates an analysis of economic, social, and political conditions prevailing in Iraq, the development of concern about agrarian reform, and some indications of the need for this reform.

Socio-Political Structure

If the question of agrarian reform was ignored by the state, it appears proper to look further into the socio-political structure of Iraq for an explanation. The landlords were in a position of control in all the representative bodies. With the creation of national government, the sheikh landlords have dominated the parliament and have come to constitute the majority of the conservative party--the Constitutional Union Party--of the prime minister Nuri es-Said.

Up to 1958, the non-agricultural sector of the economy was still undeveloped and indicated relatively little

activity in the country. Consequently, with the absence of this sector, there was no organized middle class which could rival the landlords. Moreover, the existence of British troops in Iraq, the struggle for political and national independence overshadowed the internal social and economic problems. Furthermore, the peasants, the class most interested in agrarian reform were completely isolated from the city and the world and were not represented in any political or legislative body.

Rural unrest became noticeable during the late 1940's. In a strike which broke out in Amara in 1951, police fired on peasant strikers. The Basra riots in 1952, which were repressed by police fire, the rural revolt in Diala, and the general peasant opposition to the landlords in Arbil are a few examples of this new peasant movement in Iraq.¹ In Iraq, however, there has been no major peasant revolution that could bring about an agrarian reform. As a result, the main response to increasing poverty and hardship remained in the form of faith, immigration, or death, not initiation of political movement, as happened in most European countries after World War I.

¹T. El-shaibani, op. cit., p. 57.

While in western countries, the middle class developed a new economic system, with which they opposed the feudal class, the backwardness and poverty of Iraq never gave this class an opportunity to assume a leading role in society. The small Iraqi middle class sought the accommodation to the prevailing order by assimilating the political, moral, and cultural values of the ruling class rather than by demanding an agrarian reform or developing an interest in any kind of social, political, or economic reform. The middle class "can not, however, link up with the fellahin and provide the political force which would recast the social structure of the country."² Finding itself ruled by the landlords and the oil company, the middle class sought its main activities in whatever industry and commerce developed in Iraq. By means of a complex of trade monopolies and a system of import-license by quota, the middle class was able to fix prices and hence to realize a very high profit.³

In like manner, the middle class was not able to play its political and economic role for reasons which were connected with the internal make-up of the business class itself

²Warriner, Land Reform and Development in the Middle East, p. 172.

³Caractacus, op. cit., pp. 31-32.

which was connected with its traditional attitude toward seeking greater social status and economic security by reinvesting its earnings in land rather than long-term productive facilities.⁴

Faced with a growing social and political unrest from below, the middle class determined new social and political action. Instead of demanding social and economic reforms, the middle class, as a substitute for domestic support, began to look to foreign powers as its political protector.⁵

The Development of Concern about
Agrarian Reform in Iraq

The advocates of agrarian reform were dealing with the limitation of the size of large estates, rural development, and provision of agricultural credit. Mr. El-dhahir, for example, proposed a land policy which limits the maximum landownership to 2,000 donums, with a minimum limit of 100 donums. Any land in excess of this limit should be taken over by the state, with fair compensation, and distributed among peasants.⁶

⁴M. Halpern, op. cit., p. 48.

⁵Ibid., p. 48.

⁶Abdul Razaq El-dhahir, Feudalism and Diwan in Iraq (Baghdad: Al-muthanna Press, 1946), p. 85. (in Arabic).

Dr. El-nahi urged a land policy in Iraq. He emphasized that the feudal problem cannot be overcome without a strong policy aimed at improving the village life and settling the tribe on new bases which should free its members from the landlords' domination. This, he said, cannot be achieved without the introduction of small-size holdings in all Miri Sirf lands. This policy, according to El-nahi, must put a maximum limit to landownership and ensure small farmers the needed credit and other measures which will protect small holders against moneylenders. He suggested the establishment of cooperative societies. Furthermore, he urged that the state extend its educational program to the village.⁷

Dr. El-Shaibani wrote that the solution of the peasant's problem lies in liberating him from exploitation imposed upon him by the prevailing tribal feudal system. El-Shaibani predicted three possibilities that might take place if this problem remains without solution. They are:

1. The peasant's first response to the existing agricultural conditions will be to migrate from the countryside to the city looking for betterment which will result in unfavorable social, economic, and political consequences.

⁷ Salah A. El-nahi, Introduction to Feudalism and Land System in Iraq (Baghdad: Dar Al-Maarifah Press, 1955), pp. 72-73.

2. The second possibility is that the peasant will revolt against this social and political system which has depressed his standard of living.
3. The peasant would accept his reality and stay on the land without an attempt to try to change the economic and social relation which determined his fate. If this possibility would happen, the result will be "near starvation, pestilence, high death rates, soil erosion, and economic exploitation."⁸

El-Shaibani supported the second possibility and saw some evidences of its appearance in many sections of Iraq's rural sector.

The possibility of the peasant's revolt was also supported by Keen, when he said: "History has shown that if absentee landlordism is allowed to continue in existence, it inevitably has to be solved through revolutionary land distribution."⁹

The position of the political parties in relation to agrarian reform was based on measures including the confiscation of large estates and their redistribution among peasants. All the parties had a clearly defined social and economic program related to that.¹⁰ However, due to the fact that these parties were outlawed by Nuri es-Said, they were not

⁸T. El-Shaibani, op. cit., pp. 57-58.

⁹B. A. Keen, op. cit., p. 38.

¹⁰T. El-Shaibani, op. cit., pp. 87-95.

represented in the parliament and thus could not enforce any legislative law in order to implement their policies.

Despite this demand for agrarian reform, the prime minister Nuri es-Said was able to ignore completely the question of the distribution of landed property. Thus, late in 1957, in a major address in a broadcast from Baghdad, Nuri es-Said announced to the people of Baghdad that:

The chief of the tribe was playing the role of the father for its sons, he is responsible for preserving security, order and cultivation of the land, in addition to his responsibility for lending money to his tribesmen. Big estates are naturally distributed after the death of the landlord, by dividing this property among his heirs. Thus, through time, feudalism will disappear.¹¹

This view, of course, recognized the existing economic and social unity of the tribe. The tribal chief has become the manager of the economic and social affairs of the tribe. He is responsible for: (1) preserving security and order, (2) agricultural management of the land, (3) education, moral and social guidance, and (4) providing farm credit. In other words, the solution suggested for resolving the agrarian problem was left to death and inheritance.

¹¹Ibid., pp. 75-76.

The Need for Agrarian Reform

It is argued that the worsening of agricultural productivity makes agrarian reform all the more imperative. It seems that the majority of people perceived that the main problem involved in Iraq in the socio-economic issue was the defective agrarian structure.

The economic base for this argument was that the owners of large estates maintained these estates in an under-developed condition, unproductive, and paying no taxes. It was said that agrarian reform is the necessary starting-point for political, economic, and social change alike. The mere fact that 80 per cent of the Iraqi people who live from agriculture are farm workers is a strong indication of the need for this reform. Until this proportion is substantially reduced one expects that it will be impossible either to increase the input of management in agricultural enterprises to effective levels or to bring rural levels and standards of living up to a desired plane.

In like manner, the low production per man and per acre is no more than a reflection of the effects of the socio-economic factors that are kept in force by a social system based on big estates which are concentrated in a few hands. The need for agrarian reform was based on the following:

(1) lack of skills possessed and used by the majority of the population, (2) extremely low investment and poor techniques, (3) the absence of confidence by the landlords as demonstrated by their own export of capital to foreign countries which was in effect a standing confession of their disinterest in making investment in lands and improving agricultural productivity, (4) low average levels and standards of living for the peasants which are caused by keeping the land unproductive, (5) low interest and incentive which induce the peasant to improve the land or to increase production, and (6) two-class system which determined that there would be a small class of elite families at the top of the social scale, and a large class who are impoverished, uneducated, and only slightly productive workers at the base of it.¹²

In the main, the need for agrarian reform was present. This reform would call for the alleviation of the most glaring inadequacies in diet, housing and health, the improvement of agriculture through diversification, broadening of landownership, expansion of cultivable acreage and increasing of modern farming techniques, and reform of tax laws.

¹²T. El-Shaibani, op. cit., pp. 53-59; A. R. El-dhahir, On Agricultural and Political Reform (Baghdad: Shafeeq Press, 1959), pp. 49-52, 90-98; D. Warriner, Land Reform and Development in the Middle East, pp. 173-182.

With a low standard of life, there is no more than a narrow and restricted home market to encourage private capitalists to invest in industry. The subsistence agricultural sector cannot form part of the general market of the country. The isolation of a great portion of the population affects economic growth in general and in particular it is inimical to the development of industry. It inhibits the flow of labor into occupations requiring industrial skills, and it keeps off the market a significant proportion of the country's potential purchases of industrial products.

The low average personal income affects not only the size of the local market for industrial products but also its nature. The demand in general is for low quality goods and for standardized goods for which variations in style or quality are of much less importance than low price.¹³ "In countries trying to industrialize today, inadequate market demand frequently limits their progress. Iraqi industrialists have long complained of inadequate market."¹⁴ The United Nations report emphasized: "Market inadequacy is merely symptomatic of underlying forces inhibiting development and the process

¹³United Nations, Processes and Problems of Industrialization in Underdeveloped Countries (New York, 1955), p. 121.

¹⁴K. Langley, The Industrialization of Iraq, p. 125.

of enlarging the market is no more and no less than the process of developing the economy."¹⁵

While protection of infant industry was recommended by most economists, Iraq, which badly needed this protection, was forced to do away with it. Therefore, goods were imported from abroad. Consequently, there was no opportunity for profitable investment in the industrial sector of the economy.

Economic development, and in particular, industrial development, depends in main on its gathering its own momentum. It requires investment in the domestic market which has to lead to further investment. In fact, one investment gives rise to another, and the second investment creates the conditions for the third. It is the "synchronized" application of capital to a wide range of different industries.¹⁶ Yet although, as Allyn Young put it, "division of labor depends in large part upon the division of labor,"¹⁷ in Iraq, as we have seen, this sequence took a different course: the small market for manufactured goods in Iraq did not become the internal

¹⁵U.N., Processes and Problems of Industrialization in Underdeveloped Countries, p. 14.

¹⁶R. Nurkse, Problems of Capital Formation in Underdeveloped Countries (Oxford, 1953), p. 11.

¹⁷Allyn Young, "Increasing Returns and Economic Progress," Economic Journal (December, 1928), p. 533.

market of this country. It was flooded by imported goods rather than those produced domestically. The only possibility that remained was the oil industry which was founded by foreigners. But these investors were induced by one or more of the classical factors. "Of these, one is a large and sure market; the biggest markets being in the West, the investor . . . has tended to put his capital into raw materials that can be marketed at home, that are really an extension of his home economy and that bring local benefits only as a by-product of his operation."¹⁸ Thus, Iraq became a primary producer of oil. Its economy, in the main, was dominated by the production of this single product and lacked the industrial bases and modern infrastructures necessary to achieve self-sustaining growth.

Faced with this situation, the business class devoted itself to commerce, attracted by the high profit offered by investing in land, real estate, or lending to the perpetually indebted peasant. Thus there were obstacles preventing the entry of capital into industry or long-term business.¹⁹

Under these circumstances, agrarian reform would have to achieve the following objectives: (1) facilitate and

¹⁸"Proud Borrower and Shy Investor," The Economist, November 7, 1953, pp. 402-404.

¹⁹M. Halpern, op. cit., p. 49.

increase the growing of new crops to provide the nation's industries with raw materials, meet food consumption requirements, and develop and expand those items of agricultural production intended for exports, a source of foreign exchange; and (2) at the same time, increase the consumer market by means of progressive improvement in the standard of living of those people in the rural areas, which in turn, will contribute by expanding the domestic market. Thereby, it is expected that industries will be established that are not very profitable in a limited market and other lines of products will be developed that are limited for the same reason.

Factors Contributing to the Enactment
of the Law

The regime which came to power following the revolution of 1958 passed the Agrarian Reform Law which called for confiscation and redistribution of cultivable land held in large tracts. While there were many factors contributing to the enactment of the Agrarian Reform Law, the following deserve special attention:

1. Failure of Previous Reform Attempts: If there was a single fact which justified passing the agrarian reform law, it was the general disappointment and discontent over the Development Board expenditures under the reform law of

MSLD. As a matter of fact the development of the country did not move fast enough to satisfy the growing demand for social change, and there was a universal belief that the Board's annual expenditures of ID 100 million ought to show results.²⁰ The achievements of the Board fell short of both potentialities and needs. In the words of the FAO Mission:

Two not unconnected features stand out especially in the pattern of economic development of Iraq prior to 1958. The first is the woefully small effect of the massive expenditure on vast projects on the standard of living of the masses. The second is the failure of the public investment to evoke a spontaneous response outside the oil sector of the economy, its failure to generate a self-sustaining growth on an ever broadening front, beyond the immediate effects of the spending of the oil revenue.²¹

The effect of development expenditure seemed to benefit only the rich. It was to make the contrast between rich and poor more striking, and its impact was to increase imports which benefited mainly the rich, whose consumption of luxuries was very conspicuous.²²

There was no creation of industry on a scale sufficient to employ large numbers of the poor people whose miserable huts clustered on spare plots of land in the middle of the capital city, and beyond

²⁰D. Warriner, Land Reform and Development in the Middle East, p. 125.

²¹FAO Report, op. cit., p. 127.

²²D. Warriner, loc. cit., p. 125.

the flood embankment that surrounds it. The Board did good negative work in stopping the floods, but it did not find work for the victims of the country's changing social structure.²³

One may conclude at this point that the failure of the previous development policy was one of the strongest factors contributing to the passing of the 1958 Agrarian Reform Law.

2. Foreign Ideas: During the last two decades, the expression "agrarian reform" has received special attention in most parts of the world. The new policy orientation was based on the assumption that agrarian reform measures aiming at the breaking up of large estates, followed by redistribution of these estates among small holders, would put an end to the stagnation of agriculture and establish preconditions for the development of the backward countries.

Historically, a first agrarian reform came with the French Revolution which led to a widespread emancipation of peasants in western Europe.²⁴ Following World War I, political as well as economic considerations influenced the redistribution of agricultural land in Europe. After World War II, the demand for agrarian reform became a world issue which

²³Caractacus, op. cit., p. 36.

²⁴Ralegh Barlowe, op. cit., p. 174.

included not just Europe but Asia and other parts of the world. Thus the emergence of national states in Asia, Africa, and Latin America with aspiration for national and economic independence has served to bring this issue to the fore with renewed force.²⁵

Recently, reference to the need for agrarian reforms in many underdeveloped countries has been made at various times in the debates of the United Nations' organs concerned with the development of these countries. The Economic and Social Council, at its Thirteenth Session on September 7, 1951, adopted an agrarian reform resolution and recommended that the specialized agencies assist governments in improving land use and productivity.²⁶

Since the end of World War II, many countries have undertaken reform measures for limiting landownership and redistributing large land holdings among the peasants. The extent of these reforms varied from one country to another, according to the prevailing economic, social, and political conditions. Of special interest to Iraqis was the agrarian reform program undertaken in Egypt. The "demonstration effect"

²⁵Alexander Eckstein, "Land Reform and Economic Development," World Politics, VII (July, 1955), p. 650.

²⁶United Nations, Department of Economic Affairs, Progress in Land Reform (New York, 1954), p. iii.

of the Egyptian agrarian reform has a powerful impact on the Iraqi peasant. Its first repercussions were felt in general strike in Mosul, riot in Amara, in Basra, Arbil, and Diala. The enactment of the 1952 Egyptian agrarian reform affected 1,789 landlords, each with holdings of over two hundred feddans (feddan = 1,038 acres). Land distribution benefited 200,000 farm families which comprised over one million individuals.²⁷

3. The Military Revolution: On July 14, 1958, a group of army officers seized power in Iraq. About a few weeks after the revolution, an Agrarian Reform Law was enacted. The early date of this reform indicates that it was an integral part of the revolution. The collapse of Nuri's regime from the impact of the revolution of July 1958 was followed by the abolition of monarchy and the enactment of the 1958 Agrarian Reform. The new regime claimed reform as its goal. They planned to begin the building of a new Iraq, to eliminate corruption and to attack the basic problems of poverty and backwardness. The new regime claimed common goals--independence, economic development, and modernization.

²⁷ Saad M. Gadalla, Land Reform in Relation to Social Development in Egypt (Columbia: University of Missouri Press, 1962), p. 6.

The landed ruling class was economically dispossessed, socially displaced, and politically overthrown. Thus, in Iraq, the large landowners were few, not exceeding a few hundred, and they were destined to disappear historically.

Objectives of the Law

On September 30, 1958, Premier Qassim pronounced the birth of the agrarian reform to the Iraqi people in a major address in a broadcast from Baghdad. He said that "agrarian reform was the foundation of all social reform, and that the 'revolution' aimed to solve the problems of all the people in such a manner as to ensure the public interest, welfare, and a high standard of living for all the people." To realize these aims, according to Qassim, "the standards of living of the poor must be raised to a standard of honorable human beings without intentionally decreasing the just standard of living of the rich." According to Qassim, the people were not capable of determining their own welfare. Therefore, "we must raise the social, educational and health standards of the people so that they can decide what is good for them." To achieve this, he declared:

We have broad social reform projects with which we will raise the standard of living of the individual, particularly the poor. We will not lower the

standard of the rich but we will raise the standard of the poor.²⁸

On November, 1958, in a proclamation on agrarian reform issued by Qassim as Premier, it was said:

Agrarian reform is and will continue to be one of the most important aims of our revolution, a source of good and prosperity for our people and one of the most important pillars of social justice in our beloved fatherland.²⁹

This statement indicates the diversity in the objectives of the Agrarian Reform Law, economic as well as social and political objectives. The economic objective aims at raising the level of living through improvement in agricultural land. The social objective aims at abolishing the social evils that had resulted from the imbalance in social relations, the concentration of landownership in few hands. The political objective is implicit in the elimination of landlordism as a political and social class. However, this statement does not make clear how agrarian reform will lead to agricultural development and finally to general economic development.

The larger aims of the Agrarian Reform Law were

²⁸Government of Iraq, Agrarian Reform Law, No. 30 for 1958.

²⁹Al-Zaman (Baghdad), November 7, 1958.

announced by the Minister of Agriculture, when he declared:

The objectives of agrarian reform are: first, elimination of feudalism as a system for production. It was intended to do away with the "colonial rule" and with the survivals of feudalism which impeded economic, political, and cultural progress in that country. Second, to give a lift to a large class of the peasants and to raise their social standard in general, and to raise agricultural production and national income.³⁰

In order to achieve these objectives the new government decided to carry out a radical reform aimed at reorganizing the economy through an agrarian reform which sought to expropriate the surplus lands of the big landowners and distribute them among the fellahin.

To accomplish these objectives, the Minister of Agriculture stated the following measures were to be undertaken: (1) limitation on size of holdings, (2) redistribution of land to peasants and small farmers, (3) establishment of cooperative societies, which will improve living conditions of farm people, and (4) fair provisions in regard to the rights of agricultural laborers.³¹

Moreover, the peasant was to be encouraged to make full use of cooperative organizations, demonstration farms, educational programs, and available technological advice.

³⁰Government of Iraq, Agrarian Reform Law, pp. 5-7.

³¹Ibid., pp. 6-7.

As for industrialization, the first aim was "to produce the means of production and lay the foundations of heavy industry." Dr. Kubbah, Minister of Agrarian Reform, declared that the revolution was a social revolution aimed at the destruction of Iraq's semi-feudal system and the establishment of a new national regime which would restore power to the people--the workers, the peasants, and the middle class. He emphasized that after the government had replaced the old regime, it had begun to set up a new social and economic system in the interest of four classes of the people: farmers, workers, small bourgeoisie, and national bourgeoisie. He characterized the revolution as scientifically a "bourgeoisie revolution" and stated that its objectives and achievements did not go beyond the framework of socialist-capitalist relations.³²

Beyond these immediate aims, was the general objective of raising the standards of agricultural production, which would raise the standard of living of the peasants and provide the requirements for industrialization of Iraq. Industry would receive from the new peasant prosperity raw

³² Benjamin Shwadran, The Power Struggle in Iraq (New York: Council for the Middle Eastern Affairs Press, 1960), p. 76.

materials, a huge expanded market, and food necessary for its working class. Kubbah predicted that Iraq's future depended on the successful operation of the Agrarian Reform Law. He said: "Not only does the fate of the national economy depend on the successful and sound application of this law, but the fate of the Republic itself and that of democracy in our new Iraq also depends on it." But agrarian reform, said Kubbah, "would not operate in a vacuum. Its success depended on certain social and political conditions, the most important of which was political stability."

Our own concept of the political stability is that of the revolutionary forces. This concept could be summarized in one sense: providing and supplying a scientific solution for the political and social contradictions which have inevitably to be included by any general status.³³

Provision of the Law

Expropriation and Distribution

The Agrarian Reform Law limited individual land ownership to 1,000 donums of irrigated land and 2,000 donums of non-irrigated land (rain-fed land). Any land in excess of these limits was to be taken over by the government and distributed among the peasants under specific financial

³³Ibid., p. 76.

arrangements.

The land in the large tract category and therefore subject to the agrarian reform law amounted to 11.4 million donums (this did not include Miri Sirf and other types of state lands).

A total of 2,803 owners held land in excess of 1,000 donums of flow or lift irrigated land, or 2,000 donums of rain-fed land. If an owner held both types of land, then a total of 1,000 units--one donum of irrigated land and two donums of rain-fed would equal one unit--would be expropriated. Exception to 1,000 donums of irrigated land and 2,000 of rain-fed land limit has been made for companies and societies engaged in reclamation of the land to be used in the interest of the national economy.³⁴ A period of five years was fixed as the time necessary for the completion of the requisition and distribution of the land.³⁵ Compensation was to be paid to landowners for land confiscated by the government in the form of treasury bonds bearing 3 per cent interest over 20 years.³⁶

³⁴Government of Iraq, Agrarian Reform Law, Article 3.

³⁵Ibid., Article 4.

³⁶Ibid., Article 8.

The requisitioned land was to be distributed by the state in lots at a maximum of 60 donums of irrigated land or 120 donums of rain-fed land.³⁷

A person eligible to acquire land must be an Iraqi, 18 years of age, working in agriculture and must own less than 60 donums of irrigated land or 120 donums of rain-fed land. Priority in acquiring land was to be given to those who actually cultivate the land, then to the peasants having the largest families in the village, next to those possessing less wealth among their fellow villagers, and finally to non-residents of the village.³⁸

The price of land distributed to peasants was to be determined according to the prevailing price of the similar land in the area, plus 3 per cent annual interest rate, plus 20 per cent for the expropriation and distribution expenses. The total price of distributed land was to be paid by the new peasant-owner in 20 equal annual installments.³⁹

Agricultural Co-operative Organizations

Peasants who acquired the requisitioned land were to

³⁷Ibid., Article 10.

³⁸Ibid., Article 12.

³⁹Ibid., Article 14.

be allowed to join cooperative societies established to provide agricultural and social services to the members.

Article 33 of the Agrarian Reform Law provided that the agricultural cooperatives' functions are: (1) to obtain agricultural advances for members; (2) to provide the peasants with seed, fertilizer, cattle, agricultural machinery, storage and transportation means; (3) to organize the cultivation of land and exploitation of land in the most efficient manner, including the selection of seed and the grading, combating pests, and digging canals and drains; (4) to market the principal crops on the behalf of their members and keep their accounts; (5) to render all other agricultural and social services in the interests of their members.

The society might include other members who own non-distributed land in that area, not exceeding in size the maximum prescribed limit of distribution. The agricultural cooperative was to be under the supervision of an official selected by the government.

Regulation of Agricultural Relations

Article 37 of the Agrarian Reform Law provided that landlord-tenant relations were to continue for a 3-year period from the enactment of the Agrarian Law; if this period

was not longer than 3 years, and the landowner should not be allowed to ask the tenant to get off the land except under conditions where the tenant failed to meet his obligations stipulated by the agreement stated below:

The landowner was obligated to render to his tenant the following: (1) the agricultural land, and enable him to cultivate it according to the agreement between them, and (2) water for irrigation through flow or lift.

The tenant was obliged to cultivate the land, including ploughing, harvesting and other agricultural work required for agricultural production.

Article 41 stipulated that agricultural produce should be distributed between the tenant and landlord as follows:

	<u>Flow Irri- gated Land</u>	<u>Lift Irri- gated Land</u>	<u>Rainfall Land</u>
Land	10 %	10 %	10 %
Water supply	10	20	--
Tenant work and seeds	50	40	50
Ploughing	7.5	7.5	12.5
Harvesting	12.5	12.5	17.5
Management	10	10	10

The Higher Committee for Agrarian Reform retained the right to alter these proportions and percentages of the produce according to different areas.

Article 43 provided that agricultural relations should be arranged by a written contract signed by those two parties concerned. Furthermore, the relationship between the actual landowner or his agent and the actual cultivator was to be based on a direct relation between them, with no intermediaries.

Rights of Agricultural Laborers

The Agrarian Law provided that the wage rate of agricultural workers in various agricultural regions should be fixed by a committee appointed by the Minister of Agriculture. Article 49 provided that the agricultural laborers be allowed to organize unions in order to protect their joint interest.

Execution of the Law

Administration

The administration machinery of agrarian reform was composed of the Higher Committee for Agrarian Reform, the Executive Agency, and the Judicial Committee. To facilitate the execution of the reform's activities, a Higher Committee, of which the Prime Minister was chairman, was established. The Minister of Agrarian Reform, who was a member in the Committee, was empowered to act for it, while discharging the

reform activities. Other members were the Minister of Finance, the Minister of Social Affairs, the Minister of Commerce, and the Minister of Communication.

The Higher Committee was an independent body, with a separate budget and its own rules of procedure, which governed all budgetary, financial, and administrative matters. It has the authority to interpret provisions of the Agrarian Reform Law, to fix the amount of money needed to increase agricultural production on the land requisitioned and distributed, and to participate in any project for improving the condition of the peasants. It had the authority of supervision and guidance over agricultural cooperatives.

The Executive Agency, which was attached to the Ministry of Agrarian Reform, was to carry out the various operations of the Agrarian Reform affairs. The Agency was to be comprised of several specialized departments for land expropriation, land distribution, land survey, farm management, etc.

The Judicial Committee was entitled to deal with the judicial objections which were forwarded by persons.

Finance

To insure the ability of the new owners to cultivate

their plots, the law arranged a financial system to support them, and also arranged means to make necessary services available; such services as to lead generally to improved agricultural production. The Agricultural Bank had been attached to the Ministry of Agrarian Reform to replace the sheikh landlord lending activities and to extend its lending activities to small landowners in the agricultural sector. Furthermore, the formation of the Directorate General of Agrarian Machinery and Equipment had been empowered to supervise and make available machinery and equipment in agricultural stations. The Directorate also was responsible for the operation of water pumping stations where necessary.⁴⁰

The Temporary Management

There is a time lag between confiscation and distribution of land among small peasants, because the expropriated land needs to be classified, surveyed, and organized. In addition, there is a need to render irrigation facilities and to investigate those peasants entitled to the distribution. In order to arrange a temporary management for these lands, the Agrarian Reform Law stipulated that the Higher Committee

⁴⁰ Government of Iraq, Directorate General of the Diwan. The Planning Section, The Agrarian Reform (Baghdad, 1963), p. 2.

should decide to arrange this management by means of hiring these lands to their actual cultivator by formation of temporary management attached to the Institute of Agrarian Reform and Agricultural Board in the Provinces.⁴¹

⁴¹Ibid., p. 4.

CHAPTER IV

ECONOMIC AND SOCIAL IMPLICATION OF
IRAQ'S AGRARIAN REFORM

From the foregoing analysis of the Iraqi economy it follows that the productivity of the agricultural sector cannot be improved except by investment coming from outside this sector and, inversely, the industrial development is in some sense dependent on the extent to which supplies can be extracted from agriculture and the agricultural population, helped only by this outside investment.¹

This analysis also showed that the poverty of Iraq was caused by the stagnant agriculture because the majority of the people are engaged in agricultural work, with a subsistence level of living. Accordingly, there is a double limitation on the process of development in Iraq. The defective land tenure system had stood as the main obstacle to

¹See T. Balogh, "Agricultural and Economic Development," Oxford Economic Papers, XIII (February, 1961), p. 27.

the potential expansion of productive activity.² Therefore, among the actions required to release the forces which might initiate the process of economic development, agrarian reform would receive a high priority. The removal of semi-feudal social relations always marks the beginning of social progress and economic development.

In adopting agrarian reform policy, Iraq is confronted with the problem of reorganizing her agriculture on new lines which should stimulate economic development, and promote capital accumulation and investment, higher worker productivity and an increase in total production.

In the debates and discussions of agrarian reform policy, different approaches within different frameworks of reference have been used rather loosely by advocates of conflicting objectives. It is constructive here to outline the now widely held "liberal" notion of agrarian reform which seems to influence the development policy of many underdeveloped countries.

New Institutional Structure

Economists often argue that agriculture can provide the economies of underdeveloped countries with the impetus

²Food and Agricultural Organization, Mediterranean Development Project (Rome, 1959), p. 37.

for economic development but that to do so it requires a re-organization that is centered in appropriate land tenure structure.

After World War II, with the growing preoccupation with economic development and the rising question of international cooperation, attempts were made to find new approaches for the development of underdeveloped nations. The new literature on "economic development" emphasized that both the static neo-classical analysis of the allocation of given resources between various uses and the Keynesian short-run analysis of how given resources are employed were quite inadequate. It is said that the market mechanism operates more imperfectly in the underdeveloped than in the advanced countries for various reasons, such as a greater degree of immobility, indivisibility of resources, and imperfect knowledge.³

If the capitalist economic system does not provide an institutional structure to make development of backward countries possible, then the economists' task is to look for an alternative to this system which might provide a new framework and make it possible to solve the agrarian problems of

³Joan Robinson, Economic Philosophy (New York: Doubleday Company, Inc., 1964), p. 101.

these countries. Thus, the new emphasis is that models of economic development should include a reference to the need for agrarian reform. In underdeveloped countries, institutional reforms aimed at eliminating feudal obstacles are considered indispensable.⁴

It is argued that feudalism is no longer serviceable for the reason, if no other, that having come in close contact with capitalistic institutions, it ceases to be sufficiently feudal. Thus, Georgescu-Roegen points out that:

the increasing contact with the West revealed the existence of other economic patterns and at the same time the feudal social contact began to weaken. This caused an ever-increasing number of landlords to switch to the capitalist sector, freeing them from their traditional obligations towards the peasants. This process leads to absentee landlordism, rook renting, and all those evils, which ruin agriculture.⁵

Feudalism, however, was replaced by a new agrarian doctrine of individual peasant holdings which seems to work to a point. Georgescu-Roegen, for instance, declared that: "for countries with an agricultural over-population individual peasant holdings and cottage industry constitute the

⁴T. Balogh, op. cit., p. 28.

⁵Georgescu-Roegen, "Economic Theory and Agrarian Economics," Oxford Economic Papers, XII (February, 1960), p. 33.

best economic policy."⁶ Therefore agrarian reform aimed at dividing large estates was considered, from the purely economic point of view, as a powerful tool which would result in creating incentive to land development and intensive cultivation on the new small landholdings. The problem, in this view, was reduced to one of organizing the requisitioned land into economic units and supplying the desired implements and technical know-how.⁷

The new agrarian doctrine has three primary features: First, agricultural production activities are organized in family operational units, that is, in the form of the individual-proprietorship type of economic organization. Secondly, large holdings are divided up into smaller, more evenly distributed holdings. Thirdly, small operational units are combined into larger group units--i.e. "cooperative farming."⁸ A close examination of these objectives will lead one to believe that there is contradiction between them. Achieving one objective may counteract the achievement of the other.

⁶Ibid., p. 34.

⁷T. Balogh, op. cit., p. 35.

⁸Even J. Long, "The Economic Basis of Land Reform in Underdeveloped Economies," Land Economics, XXXVII (May, 1961), p. 113.

Consider an efficient farm holding, managed and operated by the owner, which exceeds the acreage ceiling imposed by law. As a consequence, the efficient farm holding will have to be broken up in effecting objective two. Again, the implementation of objective three would involve the sacrifice of objectives one and two.⁹

This new approach to economic development seems to influence the development thinking of many economists, including foreign advisors. A functional relationship between agrarian reform, economic development, and capital formation was emphasized by an American writer who represents the views of many policy makers in saying:

Productivity of (Iranian) agriculture is very low; a large share of the product goes to the landlord; the landlord is not interested in reinvesting in agriculture or is unable to do so; the peasant can neither afford nor is interested in investing in agriculture, the land not being his own. As a result, capital formation is precluded under this system of land holding and one must therefore realize "the significance of land reform as a prerequisite to effective technical assistance," if the latter is designed to promote development.¹⁰

⁹Ibid., p. 113.

¹⁰B. H. Kristjanson, "The Agrarian-Based Development of Iran," Land Economics (February, 1960), p. 1.

A Critique of the Agrarian Reform Law

The Agrarian Reform Law is designed to: (1) raise the standard of living of a major segment of citizens--the peasants--and to provide for raising their social standards, (2) raise the level of agricultural production in the country as a major component of a growing national income, and (3) encourage industrial growth by making agriculture provide more raw materials to industry, by creating large and expanded markets, and providing food necessary for industrial workers.

The objective provided by the Law can be classified as political, social, and economic.

Political Objective

Political reasoning about agrarian reform appears to follow some such process as that (1) a sense of security among the peasantry as a basis for needed political stability, and (2) political requirements--and perhaps social justice--demand the breaking of big into small holdings. Within the past decades, the political involvement of the peasantry has shown extraordinary advances. The secret peasant associations began by organizing the peasants in the remote province of Amara in 1944 and were slowly extended after the war into the

Lower and Middle Euphrates, Northern region and Kut on the Tigris. Revolts in which these associations played a part helped to undermine the foundations of the old regime, and became a factor in social unrest in Iraq. Because of peasant organizations, the government began to give the peasants an immediate interest in urban decisions about who gets what, and how soon.¹¹ Thus the question of political power was a primary concern. Agrarian reform was pressed forward so as to curb the power of the landlord class over the peasants. Since the landowning class was the dominant one in the social and political affairs of the country, it was the principal target of every opposition group to break the traditional variety.

Social Objective

In organizing agricultural property attention must be paid to the social and human objectives. The purpose of agrarian reform here is (a) to ensure the full employment of agricultural workers, and (b) to ensure a high level of agricultural incomes.

1. Full Employment of the Agricultural Workers: It is said that agrarian reform should ensure the full employment

¹¹M. Halpern, op. cit., pp. 94-97.

of the peasants and the adequacy of agricultural incomes in absolute terms, as well as in relation to other incomes. Georgescu-Roegen, for instance, points out that "agrarian doctrine, clearly aims at using as much labor in production as is forthcoming." This may mean using labor even to the point where its marginal productivity becomes zero.¹² According to this concept, the family labor is not governed by considerations of marginal productivity but by considerations of maximization of total output. The family labor presumably works to the full limit of zero marginal productivity and it works better because it is rewarded by the entire product of its labor--no share is going to the landlord.¹³

Employment, of course, must be created, not just for those unemployed workers, but also for those who are seasonally unemployed. Thus the principle of small peasant holding is easily extended to light industry and small scale and cottage industry which might promote self-employment.

Agrarian reform in Iraq does not by itself lead to higher employment of the agricultural labor. According to the 1958 census, only 18 per cent of the total area of Iraq

¹²Georgescu-Roegen, op. cit., p. 35.

¹³V. M. Dandekar, "Economic Theory and Agrarian Reform," Oxford Economic Papers, XIV (February, 1962), p. 73.

consisted of land in farms. About 44 per cent of the cropland was left fallow in any single year, and only 48 per cent of the cropland was provided with irrigation facilities. In 1965, the population of Iraq was estimated at about 8.3 million. The number of persons employed in the different sectors of Iraqi economy has been estimated at 2.4 million for the year 1960.¹⁴ In 1960 government sources listed some 1.6 million persons engaged on holdings, most of whom were members of family groups. Only 40,486 were reported as earning money wages. In addition to these almost 170,000 were reported to be working for a share in the produce. The estimates omitted the nomads and semi-nomads who contribute to agricultural output and those who work at agricultural pursuits in the "marsh" land.¹⁵

Generally speaking, there is a common observation that a considerable unemployment and underemployment in the rural sector exists. "A substantial number of farm workers can be attracted away to new occupations without serious result to cultivation in which they are now engaged and this

¹⁴This figure excludes students, soldiers, pensioners, etc., and also housewives and other women engaged in unpaid domestic duties.

¹⁵U. S. Department of Agriculture, op. cit., pp. 12-13.

number can be greatly increased by mechanization."¹⁶ The U. S. Department of Agriculture indicates that most of the Iraqi agricultural and non-agricultural population is under-employed. It shows that the typical Iraqi farmer is employed only about one-third to one-half of the year.¹⁷

The existing underemployment and unemployment cannot be explained in terms of over-population or under-population, but by the fact that Iraq's resources are underdeveloped and only little capital is used in productive investment. The idle labor power and low marginal productivity of it are due to the lack of productive plant and equipment, techniques, technology, etc. The country is sparsely populated. Small clusters of mud huts or small towns at the bends in the river typify the settlement in most of the region between Baghdad and Basra. The methods of farming are wasteful and primitive; extensive farming is practised on irrigated land, and both land and water are wasted. How serious is the situation? Is it progress or economic error in this underpopulated country? At one extreme is agriculture, with low productivity and idle manpower and at the other extreme is the modern oil industry,

¹⁶Lord Salter, op. cit., p. 33.

¹⁷U. S. Department of Agriculture, op. cit., p. 13.

the only sector as yet to have contributed to development, employing an insignificant number of workers. The output per worker in the non-oil sector of Iraq's industry has six times the value of that per worker in agriculture, and the value of output of each worker employed in the oil industry is about 127 times that of each worker in agriculture.¹⁸

It follows that under prevailing conditions in Iraq, where the irrigated land does not exceed 8 per cent of the total country's area, the agricultural sector is relatively over-populated. But an additional employment can only be created by providing sufficient water supply, drainage facilities and other measures that should accompany agrarian reform programs. In August 1959, it was reported that at best only 50 per cent of Iraq's peasants could be supplied with land by means of agrarian reform programs. This estimate supposed that each peasant would receive 30 donums of irrigated land or 60 donums of rain-fed land.¹⁹ Thus, 50 per cent of the peasants will remain without land, and the optimum size of family holding will never be achieved and the principle of equal units of family-size farms will lead to

¹⁸K. M. Langley, The Industrialization of Iraq, p. 5.

¹⁹The Christian Science Monitor (Boston), August 6, 1959, p. 3.

the establishment of agricultural holdings far below the optimum size which is supposed to maximize output. On the contrary, there is a threat that agrarian reform measures will lead to the creation of a subsistence level economy rather than a market economy.

It is also true that large-scale farming ensures a higher level of employment than small farming, because its size makes possible not only the division of agricultural labor, but also the diversification of cultivation in such a way as to obtain a better utilization of manpower. Further, the large-scale farming is able to achieve integration within itself through the creation of activities complementary to cultivation, such as stock raising, rural industries, etc.²⁰

2. Ensuring a High Level of Agricultural Incomes:

From 1953 to 1963, Iraqi agriculture registered a negative rate of growth, which showed about 1 per cent negative rate of growth. The rural income was deteriorating and no real improvement was achieved. The Iraqi farming finds itself in such an impasse because it is unable to provide a secure basis for a rising standard of living. The inability of

²⁰C. Akhras, "Economic and Social Criteria in the Organization of Agriculture," in Lectures on Agrarian Tenure and Agricultural Cooperation in the Mediterranean Basin, II (Beirut, Lebanon: Institute of Rural Economics, 1963), p. 50.

agriculture to get out of its stagnant condition has indeed affected the whole economic pattern and has weakened the momentum which would carry industry forward.

It is clear from the above fact that the incomes of the peasant will be affected to the extent that the agricultural productivity of the small land holding is raised. The incomes of the peasants are affected by factors other than those of the agrarian reform effect. The problem in Iraq is not just that personal incomes of the peasant are extremely low, whereas those of the landlords are high, but also that little income is redistributed through public services and investments such as schools, roads, etc. Thus a better income distribution will lead to development of adequate markets to absorb more production. Since the whole pattern of economic growth under the feudal-type system is dependent upon the consumption and investment decision of a small dominant group, there will be no guarantee of developing a market or creating a purchasing power which gives stimulus to higher production. Therefore, agrarian reform was assumed to bring about this distributive effect which in turn will lead to agricultural development.

In this connection, the Agrarian Reform Law, aimed at the elimination of the landlord class and the reduction of

rents, has this redistributive effect as one of its main goals. Furthermore, the abolition of the feudal-type system, an ill-defined right and obligation which enabled the landlords to exploit the tenants, will lead to improvement in the income distribution in favor of the peasants. Again, the agrarian reform has provided another distributive effect which resulted from the reduction in the number of claimants to land income shares. This has been done through the regulation and reduction of rent as well as the elimination of absentee landlordism. In the past the social prestige attached to land ownership, the absence of investment expenditures, and the lack of adequate credit facilities created complex tenure rights unjustified by any realistic division of services rendered in production. Under this situation, money-lenders, marketing agents, landlords, Mosques and the state and the sirkal have shares in land produce at levels often above those defined by economic rent.²¹

Under this system of farming, there can be no rational financing of the pricing system as a distributor of income. Pressures of population upon resources, inadequate capital, and lack of job opportunities outside agriculture have given

²¹See A. Bonne, State and Economics in the Middle East, p. 133.

rise to factor-product price relations out of all proportion to actual contributions to the production process.²²

Thus the Agrarian Reform Law, providing that rent be reduced and credit planned, and the marketing process undertaken by the agricultural cooperatives, will have a strong redistributive goal and is justified on economic grounds in that it provides a better relationship between tenure right and tenure function.

Economic Objectives

In tracing the economic effects of agrarian reform, it may be useful to distinguish between effects (1) upon farm output, and (2) upon savings and capital formation in and out of agriculture.

1. Effects upon Farm Output: The agrarian reform advocates believe that the security of tenure will give the owner an incentive to utilize as fully as possible the labor power of the peasant and his family. Agrarian reform will lead to intensive labor, and more investment, since the secure peasant has a highly positive attitude towards his

²²See Philip M. Raup, "Agricultural Taxation and Land Tenure Reform in Underdeveloped Countries," Papers and Proceedings of the Conference on Agricultural Taxation and Economic Development, ed. H. Wald (Cambridge, Mass., 1954), p. 253.

land, and security of capital already invested in agricultural production will lead to further investment.

We do not believe that we are laying bare a secret when we say that in a country such as Iraq, the uncertainty of tenure is the main evil, and not the size of the farm. This uncertainty has resulted from the system of share cropping which discouraged capital investment by the peasant cultivator and prevented his adopting new techniques. Up to 1958, the failure to provide a settlement for title in both Amara and Nassiria provinces inhibited both the sheikh holders of the large estates and the peasant cultivator from making any improvements in agricultural land. A legal basis for claims was not established and the result was unrest and tribal clash between the big landlords. The absence of cadastral survey and land-title recording systems and the consequent difficulty in establishing ownership rights and in developing a mortgage-based credit system were examples of the lack of secure tenure. Thus one objective of the agrarian measures in Iraq was to create new tenant owners. The certainty effects of this reform were assumed to increase production because the new owners could undertake capital investment with confidence that the fruits would return to the peasant cultivator.

The present tenure arrangements are a major obstacle to achieving better land use and farm organization. The large estates are presently operated extensively and inefficiently. They are large estates, not large production units. Cultivation is done under the system of share cropping where large estates are divided into small strips leased to the peasants. Agrarian reform in such a system simply means the transfer of ownership from the landowner to the cultivator of the existing small holding. The size of the farm is not affected, for there are no large farms. Most often these large estates are cultivated extensively or left untilled. Thus there is a possibility that the break-up of large holdings will tend to lead to more labor-intensive types of farming. This means diversification, less dependence upon one crop, greater livestock, density per acre, and increased output of vegetables and livestock products.²³

Despite the above mentioned advantages, the small farming system suffers from economic, financial and technical disadvantages. The main economic principles which must guide our choice in the organization of agriculture are two: first, the cost of production, and secondly, output. In other

²³A. Eckstein, op. cit., p. 657.

words, the optimum size of a farming unit must be determined in terms of the maximization of output and productivity of the farming unit, as well as in terms of achieving minimum production costs in order to obtain maximum profit, both on the individual and the national level.²⁴

From the economic point of view a measure of strip parcel consolidation indicates an increase in productivity due to the application of modern techniques of production, division of labor, rational field rotation methods, savings in the cost of transportation and marketing with the consequence of higher farm income and higher tax revenues.

The major thesis about the small individual proprietor is that the independent farmer will be guided by the price level with respect to what commodities to cultivate, how much to retain for his own consumption, and how much and what to sell. Objection could be raised against the free decisions made by the small peasant in this connection. Thus Brand emphasized that the farmer, according to this thesis, cannot be relied upon to deliver the quantities of foodstuffs required to feed the industrial workers and the industrial materials to keep the industrial sector going.²⁵ Mitrany, dealing

²⁴S. Akhras, op. cit., p. 46.

²⁵W. Brand, The Struggle for a Higher Standard of Living (Leiden, 1958), p. 41.

with agrarian problems in Russia, explained that:

Nationalization of the land and at the same time its division into small lots were not economic measures but political moves. The first simply served to sweep away feudal landholding and relations . . . the equal division. . . . was simply necessary to gain the support of the peasants.²⁶

Historically, Brand explained, farmers in the advanced countries seem to have responded to market incentives whether arising from domestic or foreign demand. "If the agricultural sector," Brand says, "had been left to private initiative, it would have meant that, in order to induce the farmer to produce more or make him give up a larger proportion of his crops, consumer goods would have to be offered in exchange."²⁷

The peasant in Iraq works hard to achieve some traditionally determined minimum standard of living, but has no motivation for increasing his income above that level because of tradition-bound consumption patterns. Also consumer goods are not produced at home, but imported, with the result that these consumer goods will be beyond the reach of the peasant due to the high prices of imported goods. Halpern, in discussing the agrarian problem in Iraq, Syria, and Egypt, has

²⁶D. Mitrany, Marx Against the Peasant (New York: University of North Carolina Press, 1961), p. 62.

²⁷W. Brand, op. cit.

this to say:

The peasant's eagerness for more land is not a manifestation of capitalist individualism. It is, primarily, a striving to escape the threat of starvation and, secondarily, a striving for status. Land hunger, in so far as its motivations are traditional, is a drive not for greater elbowroom for initiative and enterprise, but rather for private holdings that are large enough to make their owners independent and free of the need to work. The peasant's striving for individual ownership of land, therefore, need not be conducive to modernization.²⁸

The inevitable conclusion is that the implicit or explicit objective is to preserve a rural value orientation in society, even it assures no more than a certain minimum level of economic security and well-being.

2. Effects upon Capital Formation: Economists most often associate agrarian reform with capital accumulation. In this context, it may be useful to distinguish between (1) capital formation resulting from confiscation and distribution process, and (2) capital formation which is connected with production and consumption processes.

Beginning with the first, it should be recalled that the general economic argument for agrarian reform as distinct from the social argument for more equal distribution of income, is based on the assumption that the cultural attitude

²⁸M. Halpern, op. cit., p. 102.

in many underdeveloped countries has placed high social and economic value on landownership which has not led to high investment in land improvement or agricultural production. By setting an effective limit on size of the holdings and an equally decisive restriction on rent, it is expected that the state can transfer capital from the agricultural sector to the non-agricultural sector in order to develop the industry. It is too early to see whether this evolution will take place in Iraq. Amer, in his study of the Egyptian economy, shows that the limitation of land ownership in Egypt did not serve to transfer capital from agriculture to industry. He shows that the capital that was just released from agriculture was invested in buildings and urban house property rather than in industry. In 1955, for example, the capital transferred from agriculture and invested in real estates amounted to about 45 million Pounds, while only 6 million Pounds of the mentioned capital were invested in industry.²⁹ This effect of the agrarian reform in Egypt is likely to be the same in Iraq.

One of the main problems in Iraq has been the practice

²⁹ Ibrahim Amer, Land and the Fellaah, the Agrarian Question in Egypt (Cairo: Al-Dar Al-Misriyah Press, 1958), p. 153.

of the landlords of sending their capital to foreign countries. The implementation of the agrarian reform in Iraq assumed the responsibility of preventing the export of this capital and of maintaining it within the country. It was claimed that peasant consumption will not increase as much as the amount of capital that previously was exported and the result will lead to an increase in the total amount of capital available for productive investment in the economy. The mobilization of this capital, of course, requires a tax reform. This, however, requires a firm policy aimed at the current flight of capital which is now growing at a rapid pace due to the uncertainty of the political system and the fear that further nationalization will be implemented by the state.

Nor would the situation appear to be different when it comes to the question of saving and investment affected by the agrarian reform programs. Generally speaking, the main principle, which concerns the whole of the national economy, is the permanent maximization of the national product. This in turn requires a constant maximization of investment. If our main concern is capital formation, then this process will be easier to achieve in an economy characterized by concentration of landholdings than in an economy

where landownership has been subdivided. It is a matter of fact that the marginal propensity to consume has a tendency to rise when landholding is divided, to the detriment of the propensity to save, and consequently of capital formation. In the opinion of many economists, the typical peasant saves little or nothing. Higgins characterized underdeveloped countries by "practically zero saving for the large mass of the people."³⁰ According to Lewis, the landed aristocracy, the peasants, the wage and salary-earning classes, all except the capitalist class, which is conspicuous by its absence in such countries, have a mentality directed toward spending.³¹

D. Warriner shows that, in Eastern Europe, under the recent agrarian reform, peasants tend to eat more. In Italy, according to Warriner, farmers who receive land under the reform like to spend on manufactured goods, and form cooperatives to buy television sets. In India, farmers may buy additional land or a bit of gold.³²

³⁰B. Higgins, Economic Development (New York: W. W. Norton and Company, Inc. Press, 1959), p. 11.

³¹A. Lewis, The Theory of Economic Growth (London: George Allen and Unum, LYD, 1956), pp. 227-229.

³²D. Warriner, "Land Reform and Economic Development," Agriculture and Economic Development, C. Eicher and

Mead, writing on the Egyptian land reform, stated that "in the past the large-scale landlords provided one of the main sources of funds to finance an expansion in the industrial sector; with the substantial income redistribution which has taken place as a result of the land reforms, it seems likely that the supply of savings from agriculture made available to the rest of the economy has fallen."³³

In Iraq, capital formation is hindered because much of the agricultural produce is taken by the landlord in the form of rent, and is transferred to the city where it is used for consumption. If we consider the economic surplus (capital formation) as the difference between production and reasonable consumption, then is there any reason to believe that when the peasant becomes land owner he would consume less or save more and thus generate capital formation? Professor Tuma predicted that agrarian reform in the Middle East would establish a subsistence agriculture with little contribution to capital formation. This is so because the present living standard of the peasant is low and much room remains for

L. Witt (eds.) (New York: McGraw-Hill Book Company, 1964), pp. 287-288.

³³Donald C. Mead, Growth and Structural Change in the Egyptian Economy (Homewood, Ill.: Richard D. Irwin, Inc., 1967), p. 128.

improvement through increased consumption.³⁴ T. Petran wrote that "this trend was accelerated by the fact that the reform (in Iraq) did increase peasant consumption and hence reduced the landlord's share of the crop which went to the towns as surplus product."³⁵

There can be no doubt that the large estates, if cultivated by the owner, which rarely is the actual case, facilitate the investment of large amounts of capital in improvement such as irrigation, drainage, the use of machines, and the division of labor, which are beyond the reach of individual small peasants. In Iraq, peasants have had no background of experience in investment-decision making. They have not been accustomed to the purchase of expensive equipment or production requisites. Neither have they had any first hand contact with agricultural markets or the marketing process.

On the other hand, large scale agricultural operations are more efficient and show more rapid economic growth than small operations if there is economy in mechanical cultivation, or in large scale control of irrigation, of seeds,

³⁴Elis H. Tuma, "The Agrarian-Based Development Policy in Land Reform," Land Economics, XXXIX (August, 1962), p. 268.

³⁵T. Petran, "The Coups in Iraq and Syria," Monthly Review, XV (May, 1963), p. 37.

of disease precautions, of processing, or of marketing. Therefore, if we regard the agrarian problem from the angle of production, large scale production would be favored. There is the natural superiority of capitalist production. Society's need can be satisfied only by large scale production for the obvious reason that the small peasant will produce mainly for himself while the capitalist farmer produces for the market. There is danger that while the mass of small holders might be self-supporting, they might produce little or no surplus for the cities, and even for the peasants it might prove but temporary artificial prosperity.

The conclusion that emerges is that the small size of peasant land holding is inefficient economically and society's saving is dispersed and consumed. The small farms yield very little production, for the productivity of labor on them is extremely low. Small, split-up, scattered peasant farms are a hindrance to the use of agricultural machinery and advanced agronomic techniques. The division of land alone, a mere transfer of the landlords' lands to the peasants, does not solve the peasant problem and does not deliver the cultivators from poverty, usurers' dominance, backwardness and the low productivity of small scale farming. On the other hand, we have already seen that the big landownership in Iraq

acted as a brake on the development of agriculture, and the abolition of feudalism became a historic necessity. Keeping the feudal-type system as it exists today means perpetuation of the well-known extreme technical backwardness of agriculture, desperate poverty of the overwhelming majority of peasants, meagerness of the home market and lack of means to industrialize the country.

It appears, therefore, that contradiction exists between these two objectives, economic and social. If our interest is to maximize total production and capital formation, then our preference in organizing the agricultural sector would be in favor of large scale units, while individual peasant holdings should be favored if we were concerned with social objectives. But, again, since large scale units are more efficient and produce more, then one might say that higher production will be an important factor in economic development which will lead to higher per capita income for the population as a whole, and as a result the peasant's income will be higher than if he were farming a small piece of land. In addition, there will be a gain for society, as its needs could be satisfied more generally only by large scale production.

Cooperatives: A Cure?

Cultivation of small holdings is hopelessly inefficient. Therefore, the question may be raised as to whether the equal peasant holdings should be operated as production units individually, or whether they have to be operated jointly. What we are concerned with is to find a device consistent with which we can reorganize agricultural small holdings in a way that might achieve the advantage of large scale units, instead of dividing land into small uneconomic plots. If we are in favor of operating these holdings jointly, then the optimum size of joint units must be determined. The new agrarian reform doctrine seems to suggest the creation of equal individual holdings and their immediate merger into some form of cooperative production units.

According to this approach, the cooperative society's task is to employ all the labor force available. However, under population pressure, the marginal productivity of workers must fall to zero in order to have full employment. Therefore, a part of the labor force has to be used on capital works which lead to capital formation. Thus the success of the cooperative will depend on its ability to make use of the labor force in capital works and create employment for its members. In large part, this means that the economic impact

of the agrarian reform is very much dependent on the work of the agricultural cooperatives.

Despite the fact that a policy has been adopted by the Government of Iraq aimed at creating agrarian cooperatives, the progress in this respect has not been impressive. There is a general frame of reference within which discussion of agrarian reform proceeded among those who are concerned with the development of Iraq who proclaimed that the road to achieve an efficient and highly developed agriculture is the reorganization of landownership into large size. In other words, it is assumed that the Iraqi peasants were not ready for cooperative forms of cultivation and would have to go through a more or less lengthy preparatory period during which they would acquire title to the land they till.

Cooperative organizations require a large measure of voluntary participation of peasants. The success of cooperatives requires the active support of the peasants, and finally, the cooperatives will be limited in their ability to create market, or accumulate capital, if the members have no surplus.

The creation of cooperative farms representing the socio-economic framework in which a significant increase of agricultural output and the mobilization of the surplus is

generated depends on the availability of agricultural implements and other resources with which the newly large scale farms need to be equipped. In the absence of these conditions the cooperative farm does not itself represent a new productive force, is lacking all material basis and is nothing more than an experiment. This is what appears to be the condition under which the Iraqi Government is trying to create cooperatives, that is, with no material basis.

A modest acquaintance with economic history shows that this problem was solved as a result of the massive penetration of capitalism into agriculture. The large scale introduction of technology in industry had preceded a similar development in agriculture. The policy of enclosure had resulted in increased food production and had made food surpluses available for cities and towns.³⁶ "Enclosure involved both the disappearance of fragmented holdings and the extension of the area under cultivation."³⁷ Another consequence of this policy had been the influx to the cities of peasants, who, having lost their land, provided cheap and abundant man-

³⁶Paul Alpert, Economic Development, Objectives and Methods (New York: The Free Press of Glencoe, 1963), p. 16.

³⁷N. S. Buchanan and H. S. Ellis, Approaches to Economic Development (New York: Twentieth Century Fund, 1955), p. 127.

power for the new industries that had started to develop.³⁸ Marx explained that the capitalist class rose out of the class of independent farmers and landlords who exploited labor, and benefited by rising prices. With the break-up of the manor and the expropriation of peasants went the destruction of domestic industry and the concentration of control of manufacture in the hands of individual capitalists, who gained all the profits.³⁹ Higgins stressed that: "Since the enclosures replaced serfdom with a free labor class to some extent, and since the commutation of labor service for money rents replaced serfdom with more or less free enterprise farming for profit, there can be no doubt that the decay of feudalism was a stimulus to capitalist development."⁴⁰ According to Buchanan and Ellis, "the agricultural revolution consisted essentially in the larger units of cultivation, the improved methods and techniques of cultivation, and the rise of a more entrepreneurially minded and commercially oriented group of entrepreneurs who found a growing market for their output, . . . though this was the nature of agricultural

³⁸Paul Alpert, op. cit., p. 17.

³⁹B. Higgins, op. cit., p. 218.

⁴⁰Ibid., p. 130.

revolution, it was the expansion of trade and commerce-- foreign and domestic--that was its driving force."⁴¹

In sum, the present advanced countries solved their agricultural problem, first capitalist development swept over agriculture by raising agriculture to a new level, it led to its "capitalization," to a new concentration of production in the hands of capitalist farmers, to the differentiation of subsistence farmers into agricultural laborers and market-oriented agricultural entrepreneurs. Secondly, by offering the opportunity of industrial development, it transferred large numbers of peasants into the industrial labor force, in this way relieving the population pressure on the agricultural sector and consequently raising the per capita income of those who remained on the land. And finally, by expanding industry it came early into a position to offer rural producers manufactured commodities in exchange for what they had to sell, and was thus able both to secure food for the growing urban population and to provide agriculture with implements, fertilizers, and the like, which in turn led to an increase in agricultural productivity.⁴²

⁴¹N. S. Buchanan and H. S. Ellis, op. cit., p. 130.

⁴²Paul Baran, The Political Economy of Growth (New York: MR Press, 1962), pp. 168-169.

Thus under conditions of capitalism, two things must happen in order to have economic development: first, agrarian reform must lead to capital accumulation, and second, it must be accompanied by an industrial development. This conclusion was emphasized by Lewis as follows:

Large scale agriculture usually requires fewer people per acre than small holdings. . . . it is not desirable to make an agrarian revolution without providing new employment opportunities outside agriculture. An agricultural and industrial revolution always go together, the first releasing the labor which the second draws off the land. Governments of backward countries have therefore to put into their agricultural programs projects for industrialization.⁴³

Therefore, in the absence of industrial development, there is no hope for successful large scale farming in Iraq. The organization of the agricultural sector in large scale units of production, be it cooperative or collective farming, might lead to a large scale enterprise operated by a poor peasantry rather than prosperous agricultural enterprises providing high living standards to their members and large agricultural surpluses for the urban population. Lack of machines and equipment in agriculture and lack of consumer goods for the peasantry would defeat any attempt at forming

⁴³Arthur Lewis, Development Planning: The Essentials of Economic Policy (New York: Harper and Bros., 1966), p. 420.

any cooperative or collective farming in Iraq. Even if we assume that these machines and tools can be imported from abroad, the agricultural problem will not be solved. Mechanization and increased productivity on large scale farming would hardly improve the conditions in Iraq. With the prevailing unemployment and underemployment in both the agricultural and non-agricultural sectors in Iraq, the use of machines would displace a large number of agricultural workers and deprive them of the meager income they were formerly able to earn. Since the agricultural machines and tools and chemical fertilizers operating large scale farming are usually imported, their manufacture would not offer offsetting employment opportunities. Nor could the improvement in agricultural productivity be counted on to lead to higher wage rates, because the excess supply of labor is likely to prevent any such improvement. All that would happen would be an increase in profits captured by the cooperative or by the state.

CHAPTER V

THE AGRARIAN REFORM OF 1958 AND ITS EFFECTS

This chapter is intended to test what has been done to realize the objectives of agrarian reform law of 1958. Statistics on land area expropriated or distributed, numbers of agrarian cooperatives established, etc., are to be regarded as no more than informed guesses. The exact progress of land redistribution is difficult to determine. Statistics released by one regime have been declared to be false by another regime, and it has been claimed that the area of land distributed among small peasants was exaggerated. Presently, the redistribution of land ownership appears to be the major element in this reform of Iraq. It is not confined to expropriated land, but includes, also, the state domain (Miri Sirf).

Expropriation and Distribution

The government found the task of land expropriation and redistribution a most difficult one. The land held in

excess of the maximum limit provided by the law was to be requisitioned and redistributed within the five-year period. By 1966, only about one sixth of the requisitioned lands were distributed among small peasants. This unusual delay was due to the complexities of land survey, registration, and the organization of irrigation and drainage.

The number of landlords who have reported that their land estates exceeded the legal ceiling was 2,803. Out of this number, 1,147 landlords owning 7,580,212 donums were announced to be subjected to the agrarian reform law.

Statistics released by the Ministry of Agrarian Reform in February, 1966, showed that a total area of 11,436,000 donums was subject to expropriation under the law of 1958, that only 6,594,672 donums has been confiscated, and that 7,109,096 donums were managed by contract between the Ministry of Agrarian Reform and the peasants.¹ With the enactment of the Agrarian Reform Law of 1958, the government instituted a system of "Temporary Management" of land by the Ministry of Agrarian Reform after confiscation had taken place and before land was ready for the final distribution. The peasants leased the land from the Ministry under contract and obtained

¹The area distributed and contracted included both confiscated and state land (Miri Sirf).

advances in cash or in kind plus the use of the pumps and machinery in order to enable them to cultivate the land. In 1965, however, almost half of the area leased to peasants under contract was state land (miri sirf). In order to avoid chaos, the former landlords were called upon by the state to manage their land. This makes one feel that the supposedly agrarian cooperatives which were to undertake this responsibility were either unable to carry it out or were in their formative stage.

The extent of expropriation of agricultural land from 1959 to 1966 is shown in the following table.

TABLE 12
LAND EXPROPRIATION FROM 1959 TO 1966
(in donums)

Year	Area	Number of Landlords Subjected to Confiscation
1959	2,510,365	211
1960	1,546,667	247
1961	1,142,610	273
1962	183,373	89
1963	1,070,418	625
1964	468,754	64
1965/66	551,813	867
Total	7,554,000	2,456

Source: Government of Iraq, Ministry of Agrarian Reform, Report on Agrarian Reform (Baghdad, 1964), p. 15; Ministry of Agrarian Reform, Quarterly Statistical Bulletin (Baghdad: Directorate General of Planning and Public Relations, June, 1966), p. 1.

Up to June 30, 1966, the government was able to distribute only 2,334,526 donums while there were 7,109,096 donums managed by contract between the Ministry of Agrarian Reform and the cultivators.²

Table 14 shows that the largest areas distributed were in Mosul and Kut because these two provinces had highly concentrated agricultural land before 1959. No private land was distributed in Nassiria province, due to the fact that in this province land title was still unsettled. The 2,334,526 donums were distributed among 48,194 families with population equal to about 241,000 persons (average family's number is 5 persons). Table 13 summarizes the area expropriated by provinces.

According to the Five-year Plan, 1965-69, it is planned to distribute about 3,694,000 donums during these five years of which 567,000 donums were planned to be distributed during the year 1965/66. However, by the end of 1966, only 80,682 donums were distributed.

According to government sources, 232,000 families will receive land and there is a proposal to construct 313

²This land includes confiscated as well as state land.

TABLE 13

SUMMARY OF AREA EXPROPRIATED BY PROVINCES, JUNE, 1966

Province	Number of Landlords Subject to Expropriation	Area Subject to Expropriation (in donums)	Area Already Expropriated ^a (in donums)
Mosul	422	2,806,603	1,728,907
Arbil	178	777,448	416,997
Sulaimania	76	421,636	269,404
Kirkuk	238	980,824	367,986
Diala	294	883,081	602,907
Baghdad	200	631,487	463,862
Ramadi	42	125,625	85,766
Karbala	45	130,029	85,050
Kut	330	1,638,401	1,310,611
Hila	198	683,639	477,222
Amara	27	117,422	85,477
Basra	39	97,766	51,345
Diwania	274	872,245	649,133
Nassiria	93	-----	-----
Total	2,456	10,166,206	6,594,672

^aThe statistical discrepancies between Table 12 and Table 13 are due to conflicting official data issued by successive regimes. While total expropriated land amounted to 7,554,000 donums in Table 12, this was reduced to 6,594,672 donums in Table 13. This was due to the fact that statistics released by one regime were rejected or amended by another regime, either because what was expropriated by one regime was amended by the present regime or the total land expropriated by the previous government was exaggerated.

Source: Government of Iraq, Ministry of Agrarian Reform, Quarterly Statistical Bulletin (Baghdad: Directorate of Planning and General Public Relations, June 30, 1966), p. 2.

TABLE 14

TOTAL STATE AND EXPROPRIATED LAND DISTRIBUTED AMONG FARMERS UP TO JUNE, 1966
(in donums)

Province	State Land		Expropriated Land		Total	Number of Families Received Land
	Irrigated	Rain-fed	Irrigated	Rain-fed		
Mosul	-----	149,744	-----	653,380	803,124	10,331
Arbil	-----	43,460	-----	90,264	133,724	1,843
Kirkuk	-----	153,113	4,657	15,235	173,005	2,394
Sulaimania	5,066	6,111	16,845	6,318	34,340	1,549
Baghdad	80,426	34,650	129,318	-----	244,394	6,055
Diala	34,018	19,300	19,454	-----	72,772	1,438
Ramadi	-----	-----	6,941	-----	6,941	163
Hila	81,360	-----	143,286	-----	227,646	6,110
Karbala	1,790	-----	15,385	-----	17,175	1,526
Kut	99,169	-----	406,840	-----	506,009	12,481
Diwania	-----	-----	63,226	-----	63,226	1,785
Nassiria	10,680	-----	-----	-----	10,680	267
Amara	26,468	-----	11,156	-----	37,624	1,552
Basra	3,866	-----	-----	-----	3,866	700
Total	342,843	406,378	820,108	765,197	2,334,526	48,194

Source: Government of Iraq, Ministry of Agrarian Reform, Quarterly Statistical Bulletin (Baghdad: Directorate of Planning and General Public Relations, June 30, 1966), p. 5.

villages.³ The figures also showed that the total number of families receiving land on the basis of lease holding (contract) amounted to 217,561 with area equal to 7,109,096 donums (Table 15). Thus, the total agricultural land distributed and contracted together amounted to 13,422,217 donums.⁴

TABLE 15
TEMPORARY MANAGEMENT OF LAND BY THE MINISTRY
OF AGRARIAN REFORM, JUNE, 1966

	Irrigated Land	Rain-fall Land	Total	Number of Contractors
Miri Sirf Land	1,352,625	2,880,836	4,233,461	117,731
Expropriated	1,632,688	1,202,934	2,835,622	98,825
Land Under the Higher Committee's Management	21,901	18,112	40,013	1,005
Total	3,007,214	4,101,882	7,109,096	217,561

Source: Government of Iraq, Ministry of Agrarian Reform, Quarterly Statistical Bulletin (Baghdad: Directorate of Planning and General Relations, June 30, 1966), p. 7.

³Government of Iraq, Ministry of Agrarian Reform, Planning Section, Report on Agrarian Reform (Baghdad, 1964), p. 7.

⁴Ibid., p. 12.

Other government sources emphasized that the total proposed land for distribution amounted to 26 million donums (a large part of this would include land under reclamation which will be ready for cultivation after the completion of the irrigation system). This shows that the land reform operation was slow and was not accomplished within the five-year period specified by the Agrarian Reform Law. The failure was attributed to the following factors: (1) lack of complete cadastral survey;⁵ (2) distribution was undertaken without adequate preparation for irrigation and drainage in order to cultivate these lands; (3) distribution suffered from deficiencies due to hasty settlement motivated by complex political considerations; (4) distribution foundered on sheer maladministration, and many peasants packed up and headed for the towns; (5) lack of guidance and direction with regard to technical supervision; (6) not even a minimum effort was paid to organize the farmers in cooperative societies which could provide them loans and other facilities.

In determining the size of the agricultural unit, no attention was paid to the land fertility, soil, the distance

⁵The incomplete land survey led to some confusion in eliminating uncultivable land which was rejected by the peasants after its distribution.

from the city or the size of the family. Presently, the government is trying to cure these deficiencies and in its new plans it proposes the establishment of 3,000 modern villages to include one-third million families and include 3,000 schools and 300 governmental centers and 312,000 houses.⁶ Preparations were made, also, for a general agricultural census which will include agricultural income. These programs, however, are slow moving. On the basis of the preceding figures, we can conclude that the government's land distribution program will not be completed for several decades.

Agricultural Organization: Cooperatives

The formation of agrarian cooperatives is often suggested as a major branch of government activity to raise the agricultural productivity, to promote economic growth and to improve the standard of living of peasant producers.⁷ The agrarian cooperatives are still in the process of establishment, of experimentation. It is too early to determine their

⁶ Government of Iraq, Ministry of Agrarian Reform, The Land for the Farmer (Baghdad: Directorate of Guidance and Publication, September, 1963), pp. 1-2.

⁷ T. Bauer and S. Basil Yamey, The Economics of Underdeveloped Countries (Chicago: The University of Chicago Press, 1957), p. 223.

role in the agricultural development or their success.

The current trend of the establishment of cooperatives is to make membership compulsory for all agrarian reform beneficiaries. Each member must subscribe to a number of shares comparable to the number of donums he acquired.

Theoretically, the control and management of cooperatives rest in their elected boards. In practice, however, these responsibilities are taken over by official supervisors appointed by the Ministry of Agrarian Reform. The board has to obey the general instructions of those official supervisors who in turn perform their jobs according to directions specified by the Ministry. The Iraqi peasants have neither the educational background nor the exposure to the socialist ideologies of Western countries. With conditions making social and economic mobility extremely difficult, it was inevitable that the formation of cooperatives in Iraq would, out of necessity, require government initiative, assistance and supervision. The task of breaking down tradition and ignorance has hardly begun. Thus, the Iraqi peasant has shown no response towards the introduction of new methods. Many analysts of Iraqi society have noted that Iraqis have almost no tradition of local self-government, and they tend to attribute many of the weaknesses of political democracy

as it has operated in Iraq in the past to this factor.⁸

Evidently the cooperative was envisioned by the state as the key institution in the new Iraqi landholding system. Under Qassim's regime, 1958-1963, plans called for the formation of 2,000 cooperatives under the agrarian reform program during the 1961-65 period. By the end of 1962 only 32 had been established.⁹ In 1964, the cooperative institute had graduated 60 cooperative managers, as an initial step toward a corps of professional managers.¹⁰ The present government, which came to power in 1963, has decided that agrarian cooperatives are the remedy for the decline in agricultural production. It has started a new program based on increasing the number of cooperatives greatly in a short period of time. During the first four months of 1964, the Ministry of Agrarian Reform initiated cooperatives at a rate of more than 12 a month.¹¹ Thus, in 1966, the number of registered cooperatives had grown to 350. More recently, it was estimated that

⁸See Charles Issawi, "Economic Foundations of Democracy," Middle East in Transition, ed. W. Z. Laqueur, pp. 46-47.

⁹John Simmons, "Agricultural Development in Iraq: Planning and Management Failures," The Middle East Journal, XIX (Spring, 1965), p. 132.

¹⁰U. S. Department of Agriculture, op. cit., p. 58.

¹¹John Simmons, op. cit., p. 132.

about 800 cooperatives were needed to manage about 12 million donums of agricultural land. Yet the number of cooperatives planned under the 1965-1969 plan was only 500.¹²

Table 16 shows the cooperative organization in Iraq. These cooperatives were classified as follows: (1) agricultural and credit cooperatives, (2) consumers' cooperatives, and (3) marketing cooperatives.

Although the number of cooperatives amounted to 350 with total members of 40,563 and about 309 supervisors, the organization of these societies did not bring with it large scale investment or economies in marketing. And no measures have been taken to achieve large scale farming. Political, economic, social, and inadequate administrative machinery were among the factors making the success of cooperatives doubtful.

The obvious lack of experience in collective work and the atmosphere of excitement directed these societies toward politics rather than production. This was explained by the government response by enacting the peasants' societies Act (no. 129, 1959) that defined such societies as

¹²Government of Iraq, Ministry of Agrarian Reform, Fellah and Agrarian Reform, No. VI (Baghdad, February, 1966), p. 12.

TABLE 16

COOPERATIVE ORGANIZATION IN IRAQ, JUNE, 1966

Province	Number of Cooperatives	Number of Members
Mosul	37	4,858
Arbil	11	1,306
Sulaimania	7	828
Kirkuk	22	2,110
Diala	15	2,030
Hila	44	5,780
Harbala	17	2,177
Kut	51	7,722
Diwania	29	3,042
Amara	34	2,469
Baghdad	49	5,709
Ramadi	10	452
Nassiria	14	1,154
Basra	10	836
Total	350	40,563

Source: Government of Iraq, Ministry of Agrarian Reform, Quarterly Statistical Bulletin (Baghdad: Directorate General of Planning and Relations, June 30, 1966), p. 8.

professional organizations aiming at raising the level of the peasants with regard to agriculture and the production problems.¹³ In fact, the mass movement of the peasants frightened the landlords and an interested group. Since the Iraqi middle class were either owners of land, pumps, or agricultural

¹³Al-ahali (Baghdad), September 28, 1960, p. 1.

machinery, or else traders in agricultural products, this group has carefully drawn the reform to serve its interest, and thus opposed any peasant cooperative.¹⁴

Since Iraqi agriculture consists of a wide variety of subsistence crop production and markets a minimum amount of its produce, it leaves little room to achieve economies in marketing by cooperatives. Neither the small surplus produced by each subsistence peasant, nor the small urban market offered much scope for large scale economies in marketing. As surplus of agricultural produce for sale was small, so also were the peasant's savings which limited the success of credit cooperatives.

Government sources indicated that the prevalence of illiteracy and ignorance limited the possibility of the diffusion of knowledge on the need for and benefits of reform measures. Inadequacy of transport and communications, which kept the rural population in economic and social isolation, weak financial position of cooperatives, and the scarcity of trained managerial and administrative personnel for carrying out the agrarian reform measures, were listed as major

¹⁴T. Petran, op. cit., p. 37.

obstacles to implementation of the program.¹⁵

Thus the establishment of agrarian cooperatives seems to be hindered by technical as well as cultural obstacles. The success of cooperatives, of course, must depend on the expansion of the market and on the increase in agricultural production. Also government financial aid as well as guidance and supervision are necessary if cooperatives are to be successfully organized. Under conditions prevailing in Iraq it is unlikely that the movement will ever gain sufficient strength if it is left to grow without government aid.

Financial Institutions and Services

Traditionally, the main sources of credit to the Iraqi peasant have been the landlord, the merchant, and the moneylender. Legislation provides that advances made by the landlord to his tenants shall be free of interest, but this regulation has been easily circumvented when the advance was made in kind against a return in the form of a larger share of the crop. The tenant has been in a weak bargaining position, since he could not leave the farm until debts were

¹⁵Government of Iraq, Ministry of Agrarian Reform, Fellah and Agrarian Reform, No. VI (Baghdad, February, 1966), p. 27.

settled by him or a new employer.¹⁶ Credit from merchants and moneylenders has usually taken the form of an advance sale of a specified amount of a crop at a given price incorporating interest charges. The usual procedure is that the peasant starts borrowing a few months before the harvest. Thus terms of credit are settled in a way which exploits the peasant's inability to wait and market his crop himself. For loans made against collateral, interest rates have usually ranged from 20 to 40 per cent, and most often higher than this. In the case of usufructuary mortgages, the creditor acquires the right to the crop and markets it himself during the duration of the mortgage, which may be for several years. The effects on productivity are unfavorable, since neither the borrower nor the lender has any interest in improving or maintaining the condition of cultivation.¹⁷

The state has attempted to provide more reasonable credit for peasants. The principal state institution for farm credit is the Agricultural Bank, founded in 1936. In the past, the Bank has extended little credit to small peasants. It has concentrated mainly on medium-term credit,

¹⁶U. S. Department of Agriculture, op. cit., p. 59.

¹⁷Ibid., p. 60.

secured by mortgages on real estates. Thus the credit did not reach the majority of peasants who did not own land property before 1958. Although loans are, in principle, granted under customary banking terms, defaulted installments can be postponed without penalty. Frequently, additional loans are granted to farmers who have defaulted, and mortgages are not foreclosed.

From 1958 to 1966, the amount of credit provided by the Agricultural Bank amounted to ID 6,274,988 as shown in the following table.

TABLE 17
AGRICULTURAL CREDIT PROVIDED BY THE AGRICULTURAL
BANK FROM 1958 TO 1966

Year	Number of Loans	ID
1958/1959	1,161	241,388
1959/1960	3,780	551,141
1960/1961	2,390	559,457
1961/1962	2,664	910,771
1962/1963	2,684	875,881
1963/1964	2,735	655,259
1964/1965	4,557	1,314,378
4-1-65/3-31-66	2,939	908,315
4-1-66/6-30-66	785	258,398
Total	23,695	6,274,988

Source: Government of Iraq, Ministry of Agrarian Reform, Quarterly Statistical Bulletin (Baghdad: Directorate General of Planning and Relations, June 30, 1966), p. 10.

Agricultural credit provided by the Bank was used for various purposes: orchard improvement, purchase of agricultural machinery, purchase of seeds, and for the redemption of mortgages and the like.

Under the Five-year Plan (1965-69), about two million dinars were allocated for the Agricultural Bank to be spent during the Plan period. Of this amount ID 200,000 were to be spent during the first year of the Plan. According to the Bank report, the Bank's expenditures passed this amount which means that there was a high demand for agricultural credit.¹⁸

In 1956, the "Cooperative Credit Bank" was established with limited capital, half of which was supplied by the Ministry of Finance, and half by the various cooperative societies. The Cooperative Credit Bank is an additional institution to provide credit for agriculture. Its function is to provide advances to cooperatives and provide them with technical and economic advice. It even maintains their accounts and records, especially those of the agrarian cooperatives. From 1961 to 1964, the Cooperative Credit Bank provided

¹⁸ Government of Iraq, Ministry of Agrarian Reform, A General Report on the Investment Program of the First Year of the Plan 1965-1969 (Baghdad: Directorate General of Planning and Relations, 1966), p. 23.

credit amounting to about ID 48,453 to several agrarian co-operatives.¹⁹

Agrarian Reform's Effects on Production

It is too early to determine the impact of the agrarian reform program on the agricultural production. Since the agrarian reform was not completed and is still in process, it seems too early to evaluate its social and economic results. Because the process is still in its distributive and expropriative stage, any evaluation will be doomed to failure and it is quite unsuitable at this moment to show these trends. If someone insists that after seven years of experience there must be some evaluation of the program he is likely to be told that the agrarian reform has not yet shown any social or economic results. It is more likely that agricultural production has decreased as a result of this reform, and this is an expected result of any agrarian reform during its early execution stages. It is generally agreed that the agrarian reform will cause a reduction in total output at its first implementation, but it is expected that total output will then rise.

¹⁹ Government of Iraq, Ministry of Agrarian Reform, Accomplishments of Directorate General of Cooperative and Production during Eight Years, June 30, 1966, p. 3.

A look at the cereal production, as an illustration, will reveal the impact of the reform program. Cereals are the most important crops of Iraq. They have been sown in about 70-80 per cent of the land that is cultivated in any one year. This overwhelming importance has yielded only slight diversification in crop production. Wheat and barley make up at least 95 per cent of the cereals grown. Rice, the third important cereal, is produced in limited amounts and accounts for about 5 per cent of the land in cereals.

Droughts in 1959 and 1960 caused a sharp reduction in agricultural production. Between 1960 and 1963, agricultural production increased by 40 per cent due to favorable weather conditions and an expansion in acreage under cultivation.²⁰ Unfavorable weather conditions and unfavorable political climate in 1963-64 caused a drastic drop in agricultural production: a drop of 57 per cent from the level of the preceding year and to a level even lower than that of 1960-61. In 1963, however, not only the agricultural sector showed a decline, but also other sectors of the economy showed a decline. There was an absolute decline in the national income

²⁰United Nations, Department of Economic and Social Affairs, Economic Development in the Middle East 1961-1963 (New York, 1964), 13.

as a whole in 1963.²¹

TABLE 18

CONTRIBUTION OF AGRICULTURE TO NATIONAL INCOME, 1953-63
(1956 prices)

Year	<u>National Income</u>	<u>Agriculture</u>	
	ID million	ID million	% of NI
1953	262.8	85.7	32.6
1954	322.6	113.8	35.3
1955	299.0	68.4	22.8
1956	334.8	88.1	26.3
1957	348.4	116.5	33.4
1958	363.2	89.2	24.5
1959	368.6	66.5	18.0
1960	412.7	76.3	18.5
1961	468.6	96.9	20.6
1962	503.1	113.4	22.5
1963	489.5	80.4	16.4

Sources: K. Haseeb, The National Income of Iraq 1953-1961 (London: Oxford University Press, 1964), p. 20;
K. Haseeb, "National Income of Iraq 1962-1963," (Baghdad, 1965), mimeographed, p. 20.

As an illustration of the failure of the agricultural development program, Table 18 shows the contribution of agriculture to the national income. The value added in agriculture accounted for 33 and 16 per cent of the national income

²¹While 1963 oil revenues increased almost 10 per cent over 1962, there was a decline in the per capita income from the 1962 level of ID 77 to ID 73 in 1963.

in 1953 and 1963 respectively. The decline in the agricultural sector does not mean that Iraq's economy is undertaking a structural transformation; rather, it is a result of the inability of agriculture to grow with other sectors of the economy, and even its productivity was declining.

TABLE 19

AGRICULTURAL IMPORTS AND EXPORTS, 1958/60-1964
(Millions of U. S. dollars)

Year	1958/60	1962	1963	1964
Imports	67.20	81.20	89.60	106.40
Exports	22.30	47.60	42.00	35.40
Deficit	44.90	33.60	47.60	71.00

Sources: U. S. Department of Agriculture, The Agricultural Economy of Iraq (Washington: Economic Research Service, 1965), calculated from Tables 5 and 6, pp. 66-67; Government of Iraq, Statistical Abstract 1964 (Baghdad, 1965); Ministry of Planning, General Bureau of Statistics, Foreign Trade Section, Bulletin of Foreign Trade Statistics for 1964 (Baghdad, 1966).

The failure of agricultural development policy is shown by the fact that imports of wheat and rice were not reduced. In 1960, Iraq imported 206,000 tons of wheat. In 1961, wheat imports rose to 400,000 tons. In August, 1963,

an agreement was signed with the United States which covered a total value of \$6.86 million. Another agreement was signed in December, 1963, whereby the United States was to make available an additional 100,000 tons of wheat and wheat flour. Furthermore, another 100,000 tons of wheat were imported.²² By the end of 1963, an additional 65,000 tons of wheat were imported.²³ Table 19 shows Iraq's agricultural imports and exports.

It follows that the failure of agricultural development policy has helped to turn Iraq from a food exporting to a food importing country. Table 20 shows area and production of the principal crops.

Nor has the agrarian reform program affected the total income in favor of the peasant cultivator. Following the present agrarian reform policy, which aimed at giving each household an area of about 40 donums, and by applying the prevailing fallow system, which involves cultivating only less than half of the cultivated land, and using official statistics, we can show the extent of the improvement in the cultivator's income. This is shown in Table 21,

²²The Economist Intelligence Unit, Ltd., Iraq (London, December, 1963), p. 15.

²³Ibid., p. 15.

TABLE 20

ACREAGE AND PRODUCTION OF PRINCIPAL CROPS, 1958-1964
(1,000 hectars and 1,000 tons)

Year	<u>Wheat</u>		<u>Barley</u>		<u>Rice</u>	
	Area	Output	Area	Output	Area	Output
1958	1,533	757	1,157	954	89	137
1959	1,490	659	1,091	733	59	88
1960	1,300	592	1,038	804	76	118
1961	1,271	875	1,041	911	64	68
1962	1,591	1,085	1,189	1,125	84	113
1963	1,705	466	1,219	790	108	143
1964	1,627	807	1,098	623	109	184

Sources: United Nations, Economic Development in the Middle East 1961-1963 (New York, 1964), Appendix, Table 1, p. 89; U. S. Department of Agriculture, The African and West Asia Agricultural Situation (Washington: Economic Research Service, 1966), p. 64; Government of Iraq, Statistical Abstract 1964 (Baghdad, 1965), pp. 80-95.

From this total output (ID 57),²⁴ the cost of production, which was estimated between ID 15 and ID 40, has to be deducted. This will leave the cultivator with a net income between ID 10 and ID 20.²⁵

²⁴In fact the FAO Report estimated that "output per worker in the rural sector is to increase from ID 47 in 1956 to ID 105 in 1965, and ID 175 in 1970, even after providing for an annual increase of 1.7 per cent in the size of agricultural employment." FAO Report, op. cit., p. 129.

²⁵Government of Iraq, Ministry of Agrarian Reform, Fellah and Agrarian Reform, No. VII (July, 1966), p. 11.

TABLE 21

ANNUAL INCOME OF AN INDIVIDUAL LAND HOLDING, 1966
(farm area = 40 donums)

Crop	Area in Donums		Value of Produce in ID
	Cultivated	Fallow	
Winter Crop			
Wheat	10		20
Barley	10		9
Other	<u>1</u>		<u>3</u>
	21	<u>19</u>	32
Summer Crop	4	36	9
Animal Products	—		<u>16</u>
Total	25		57

Source: Government of Iraq, Ministry of Agrarian Reform,
Fellah and Agrarian Reform, No. VII (Baghdad, July,
1966), p. 11.

Perhaps one can conclude that despite the enactment of the agrarian reform law, neither redistribution of landed property nor the reduction of rent has helped to alleviate the rural poverty, and probably cannot solve it as long as the agricultural productivity continues to be low and the factor proportions within the agricultural sector remain so heavily weighted against labor. The agrarian reform measures did not represent as revolutionary a change, at least from

the point of view of land ownership, as was expected. The area officially redistributed amounts to only a small percentage of the total cultivated area. About 48,000 families have received land but represent only a small fraction of the farm population.

Factors Contributing to Inefficient Implementation
of the Agrarian Reform

Agrarian reform suffered from unrealistic delays and mismanagement, and made little impact on the social progress in Iraq. This result was due to the conflict between the landlords and the peasants and between the peasants and the government. Initially, the peasants migrated from one district to another due to the landlords' opposition to the reform and also because the best part of the land was taken by the landlords, leaving the peasants land which was unfit for cultivation. This led to the modification and amendment to the reform law. Thus the military Governor General enacted a special law barring the migration of peasants from one district to another. There is no process of transformation and the peasants have not yet had time to adapt themselves to their new conditions. Practically all the land which can be cultivated without major investment in irrigation, drainage,

and clearance is already being used. Crop rotation is unknown; the mechanization of agriculture is only beginning (see Table 22). Improvement of skills by education, demonstration, and the like, has made no progress since the beginning of the agrarian reform. But where soil, climate, and backward conditions kept the peasants in poverty, backwardness itself is due in large part to inability to improve their lot by greater investment in improvement--a vicious circle hard to break.

Although there were many factors contributing to the failure of implementing the agrarian reform program, the following deserve special attention:

1. Political Instability: Political rivalry within the Ministry of Agrarian Reform, uncertainty of the political climate, landlords' opposition to the reform and poor weather resulted in a decline in agricultural produce, between 1959 and 1961, of somewhere between 25 and 40 per cent.

Since the enactment of the reform law in 1958, Iraq has been ruled successively by three revolutionary and counter-revolutionary regimes. The Qassim regime (July 14, 1958-February 8, 1963), the Baath Party regime (February 8, 1963-November 18, 1963), and the Aref regime (November 18, 1963-to present).

TABLE 22

AGRICULTURAL MACHINES AND EQUIPMENT AVAILABLE
IN THE MINISTRY OF AGRARIAN REFORM, 1966

Province	<u>Tractor</u>		<u>Harvester</u>		<u>Pump</u>		<u>Cars</u>
	No.	H.P.	No.	H.P.	No.	H.P.	No.
Mosul	30	1,610	25	1,750	4	292	24
Arbil	34	1,790	27	1,735	-	---	8
Kirkuk	46	2,275	22	1,478	-	---	17
Suliamania	--	-----	--	-----	-	---	--
Baghdad	182	9,231	95	6,439	251	16,770	281
Diala	29	1,501	19	1,320	19	1,273	14
Ramadi	31	1,752	6	480	10	355	12
Hila	17	883	11	775	12	435	14
Karbala	14	736	--	-----	13	938	9
Kut	107	5,852	54	3,674	306	20,251	61
Diwania	37	2,035	43	2,963	60	3,032	28
Nassiria	24	1,183	4	260	2	114	12
Amara	28	1,550	8	570	135	7,261	16
Basra	3	150	--	-----	15	985	10
Total	582	30,548	314	21,444	827	51,706	507

Source: Government of Iraq, Ministry of Agrarian Reform, Quarterly Statistical Bulletin (Baghdad: Directorate General of Planning and Relations, June 30, 1966), p. 7.

These eight years of revolutionary and political instability have been rich in turmoil, violence, and sudden changes of economic policy and development program. Under this severe political struggle, which dominated the Iraqi scene since 1958, both the human and economic resources of

the country suffered inevitable depletion.

2. Administrative Difficulties: In Iraq agrarian reform runs into serious difficulties owing to the scarcity of administrative personnel. There is no framework of figures for the possible development of agriculture. While there are about 8,582 employees in the Ministry of Agrarian reform, the quality of administration is very poor. There is no appropriate detail, for instance, on the need for agricultural credit.²⁶ Failure in policy is due to the well-known difficulties of lack of understanding of economic problems on the part of the politicians. Poor administration and lack of continuity and professional expertise were only some of the defects the present regime was expected to cure. The most serious bottleneck was the lack of skilled personnel and management. The management problem, of course, is one of the main characteristics of many backward countries. The Iraqi problem was further complicated by a variety of more or less extraneous tasks. In the past, the economists were convinced that economic development in Iraq required a real "structural" change and needed to be guided by the state, by a new managerial and efficient state rather than the old parasitic state.

²⁶ John L. Simmons, op. cit., p. 135.

Economists criticized the incapability of the new government to implement its economic policy and to be engaged in political crises and issues--domestic and Arab--intensively. Simons, for instance, writes:

To many observers, except the administrators themselves, the limiting factor in agricultural development is the administration--its theory and practice. . . A particularly serious administrative bottleneck exists at the very highest level. The Minister of Agrarian Reform is responsible for four thousand employees in his Ministry. More than ten departmental Directors General report to him, twice the number that he could hope to control and advise effectively. In addition the Minister hears the grievances of innumerable landless peasants who wander in from the country to see him. Still more of his time is taken up with correcting his own correspondence for errors of grammar and spelling, although he has competent bilingual and foreign-born secretaries on his staff. The routine administrative detail permits him little time for development and review. But, time continues to have little value.²⁷

Our inescapable conclusion was not only that the Ministry failed to carry out satisfactorily its assigned tasks, but that a number of crucial policy lines had yet to be tried and mapped out. This began to take the shape of a new organization which was to have the dual task of coordinating entirely new policies under its own authority.

With the country passing through a serious and protracted political crisis at precisely the time when the

²⁷ Ibid., p. 137.

agrarian reform was launched, the management offered by far no solid anchor for the newly contemplated program. Nevertheless, the present government asserted on several occasions that agrarian reform remained one of the principal development tasks for Iraq and no government could consider a policy of retreat from the pursuit of the agrarian reform program. Thus, toward the middle of 1963, Iraq exhibited a highly improbable conjunction of circumstances. On the one hand, an upsurge in political set-up was under way. On the other hand, the rapid changeover of regimes resulted in perpetual instability in the ranks of administrative personnel. In the midst of this unrest the new regime began to create an agrarian reform policy. But this by no means was assured success, yet the chances for substantial economic and social progress looked brighter than at previous times.

Conclusion for Policy

Aside from the decline in agricultural production, the situation seems to be that the decline in the marketed surplus of agriculture is a fundamental barrier to the further improvement of the urban standard of living. "By 1961, barley exports had all but ceased, and rice and wheat were imported

to cover 40 per cent of the consumption."²⁸

The main reason for the decline in marketed surplus, however, is to be sought in the very character of the 1958 agrarian reform. In pre-1958 period, the large-scale landlords marketed the surplus; with the income redistribution which has taken place as a result of the agrarian reform, it seems likely that the supply of surplus made available to the rest of the economy has fallen.²⁹

At the production level, the sheikhs' withdrawal from land management left a vacuum which could not be filled by the small subsistence peasants. It seems that the current tendency to settle the problem of traditional large farms by breaking them up disposes of a problem without solving it. It makes the improvement of agriculture even more difficult because it results in replacement of a small number of large units by thousands of small subsistence ones.

What Iraq actually needs is a technical improvement in the methods of cultivation. But agriculture based on small units of production would offer little opportunity for an improvement in productivity. It is possible to raise

²⁸Ibid., p. 131.

²⁹T. Petran, op. cit., p. 37.

the peasants' income through the supply of better seeds and better livestock, or by providing agronomic advice and credit. The rate of improvement that can be achieved in this way is, however, so small that the population growth is likely to prevent any significant increase in per capita output.³⁰ It cannot be expected to give rise to surpluses. Moore emphasized that an agrarian reform, if it takes place in the midst of general backwardness, will retard rather than advance a country's economic development. While temporarily improving the living standards of the peasants, it will depress aggregate output and eliminate what little surplus agriculture used therefore for productive purposes.³¹

The above does not mean that we regard current agrarian reform in Iraq as inevitably doomed to failure or not a move in the right direction. What we want to say is that agrarian reform is far from being a sufficient condition for economic development and for raising agricultural productivity in particular. It cannot be the single factor necessary for economic and social development. Historical experience shows that its role is quite uncertain. Its success will depend on

³⁰A. Eckstein, op. cit., p. 656.

³¹W. Moore, Economic Demography of Eastern and Southern Europe (Geneva, 1945), pp. 55-98.

the conditions under which it takes place and on the forces by which it is implemented. While it is both the expression and the source of a new spirit in Iraqi agriculture, and it is considered a major advance along the road to progress and it is indispensable to meet the aspiration of the cultivator, and to create the prerequisites of economic and social development, its success is very much dependent on the work of the agencies that follow, the agrarian cooperatives, and on how far it is to be carried on and on the ability of the administration to implement it rightly.

So long as industry remained undeveloped, it could supply neither the means of industrial construction nor finished consumers' goods for the village in adequate amount. It seems that industrial prices must be lowered and consumers' goods imported and thrown on village markets in order to induce further production. The peasantry as a whole still suffered worse terms of trade between produced and manufactured goods than in previous time.

Although per capita income seems to be gaining remarkably, the gains have gone largely to the urban sectors and to migrant labor. Agriculture--with five million out of a population of seven million--has hardly benefited.³²

³²J. Simmons, op. cit., p. 130.

In terms of grain equivalents, which have been used as a tool for measuring standard of living in the rural sector, Iraq has had a decline from 1934. The 1961 grain equivalent is 291kg/capita and includes 25kg/capita for rice.³³

Under these circumstances, the solution seems to require an industrial program which would help to introduce large-scale farming on cooperative lines as the only answer to this problem.³⁴ Cooperatives, as we have seen, had been of meager proportions to date and not markedly successful. "There has hardly been any progress toward the social and economic goals. Cooperatives have hardly begun to replace the supervision and control of the landlords."³⁵ The step from subsistence cultivator to trade, credit, and cooperative production in agriculture would raise problems of a purely educational and material character. Efforts at organizing the peasants into cooperative farming would encounter suspicion and opposition on the part of the peasants. The possibility of inducing the peasants to join cooperative or collective organizations depends upon making them understand

³³ Ibid., p. 130 (footnote).

³⁴ See W. A. Lewis, Development Planning, p. 420.

³⁵ J. Simmons, op. cit., p. 131.

that this action is in their own interest. The new system should not be implanted on the village as an alien growth, arousing deep-seated peasant hostility towards importation from the town. It seems, however, that the authority is trying to impose these new methods rather than to demonstrate the advantages of adopting them by example and success. The government officials do not

. . . understand the ineffectiveness of imposing such methods from above. The need for carefully ensuring the villagers' creative participation from the very earliest planning stage is overlooked. The attitude that the government knows best cannot impose cooperative spirit and organization upon the peasants.³⁶

Moreover, there seems to be little realization among the cooperative administration that by determining these needs which the villagers feel are most important and by satisfying them, the agent can encourage the peasant's confidence and thus lay the foundation for more directly productive innovation.³⁷

The peasant economies of Western countries have evolved in very favorable natural conditions, and in a very special historical environment. These conditions have

³⁶Ibid., p. 134.

³⁷Ibid., p. 134.

enabled them to reach their present high level of cooperation which was aided by their industrial development during several centuries. But where cultivators in Iraq have been small tenants, and have no example of better farming to follow, one cannot expect them to suddenly transform their lands into co-operatives. The Soviet experience showed difficulties which confronted any attempt to go directly from a system Latifunda to some form of collective farming. Thus, the Russian Bolsheviks were forced to distribute the land to millions of small peasants and it was only much later after fierce and bloody social struggles and agricultural losses that they succeeded in establishing the collective farm system. Post World War II experience in Eastern Europe and China showed that the approach to agricultural collective farming would have to be indirect: first, the distribution of land to the peasant cultivators, and second, the introduction of agrarian cooperatives, and their more or less rapid evolution toward modern collective farms.

The experience accumulated in the course of the development of agriculture in other countries cannot, of course, supply answers to all the questions that might arise in Iraq. Each country is facing different problems which require different solutions.

Though Iraq's resources are underdeveloped, its conditions do not correspond with the "underdevelopment" model now most frequently postulated by economists. Two things are unusual: the adverse natural conditions of the Tigris-Euphrates valley, and the abundance of capital. Few countries have so much to develop, or so much to develop it with.³⁸

There is thus no general formula applicable to all situations regardless of time and place. Each and every underdeveloped country presents a wide spectrum of economic, social, cultural, and political configurations, and nothing could be more futile than to force them into a rigid model of a "universal prescription."

What is the upshot of this review? It may be briefly telescoped as follows: An increase of agricultural productivity is dependent on the use of modern farming techniques and chemicals, most of which are applicable only under conditions of large-scale farming. The subsistence farmer has neither the means for acquiring the necessary implements, nor would he be able to employ them on his small plots.

Large-scale farming in advanced countries emerged in the course of capitalist development as a result of capitalist penetration in agriculture; a process which was accompanied by enclosures, and it was possible only on the basis of the

³⁸D. Warriner, Land Reform and Development in the Middle East, p. 113.

transition from the merchant phase of capitalism to industrial capitalism. This transition which led to the capitalization of agriculture caused a technological revolution in farming, and provided at the same time both a market for the produce of large-scale agricultural enterprise and an outlet for the displaced rural workers. It is obvious, therefore, that it is only through industrialization that a significant increase in the productivity of agriculture can be achieved.

At this point one might put the main emphasis on industry on the grounds that agricultural development in Iraq requires cultural as well as educational improvements which are, by nature, long-run processes. Accordingly, industrial development should be given all support that is feasible, and the social, technical, and educational improvements in agriculture should wait until industry has gathered sufficient strength to establish the material foundations for the reconstruction of agriculture. Langley has correctly emphasized this point in these words:

There are, of course, excellent reasons why Iraq should devote resources to industry. Indeed land reform cannot proceed very quickly as the trained personnel necessary to set up agricultural co-operatives and to give guidance in agricultural extension work are not available in large numbers.³⁹

³⁹K. Langley, The Industrialization of Iraq, p. 126.

The practicability of such a policy is dependent on the availability of resources for the expansion of industry. Under Iraq's conditions, it seems premature to say that there can be no industrialization without an increase of agricultural output and surplus. The oil revenue, along with a decreasing dependency of industry on imports, could well lessen the impact of this problem and may well be adequate to finance a continuing high level of industrial and agricultural investment. Clearly, a low rate of growth of agricultural output would make the attainment of these tasks somewhat difficult; but there is no reason to believe that it would make a continuing industrial expansion impossible.

It must be immediately added that the above should not be taken as saying that development should proceed through industrialization without a concomitant agricultural improvement. On the contrary, it can take place only by a simultaneous effort in both directions, and the present five-year plan attests to the earnest desire of the government to bring about just such a goal. What it is intended to warn against, however, is the now widely held notion that emphasizes the priority of agriculture with the desirability of some consumer goods industries. As is usual in the universe of economic theory of growth, a sound investment policy--according to the

theory of Marginal Productivity--is the use of a country's resources in the most economical way. And because the marginal productivity of agricultural investment is lower than investment in industry, it logically follows that more resources should be devoted to industry than to agriculture to the point where the marginal productivity of both agriculture and industry is equalized.

It follows that under these conditions prevailing in Iraq, the question--industrialization or improvement of agriculture--becomes meaningless, since progress is indivisible, with the maintenance of harmony between the two sectors of society being one of the crucial conditions for rapid and healthy development. One might expect, therefore, that under such circumstances the approach to this problem would follow these steps: (1) at present time, the distribution of land to the peasant cultivators must be completed or put right; (2) efforts must be directed towards training the bulk of the peasantry in the sphere of cooperative methods in sale and purchase, in hiring machinery, and in organizing agricultural credit as a first step toward cooperative farming; (3) after that it would be possible to pass gradually to the cooperative system of agricultural production which must be based on voluntary participation and on the peasants' own

interest; (4) the development of large scale industry, capable of assisting cooperative farms with machinery, fertilizers, consumer goods, and technicians.

The transition to cooperative farming requires constant and all-around assistance from the government--financial and organizational. A considerable part is to be played in this connection by the Agricultural Bank with financing agricultural credit societies. This Bank may be the recipient of grants from the current Budget or the Planning Board to augment its long-term credit fund. Furthermore, the government may offer these cooperatives some advantages such as the assumption of their entire indebtedness by the Agricultural Bank with a reduction of the interest rate, and the like.⁴⁰ To be sure, progress in that field would be of no avail whatever, if it were not to go hand in hand with a far larger striving towards the teaching and building of technical staff and advisers, cooperative management and organized credit.

If the government succeeded in organizing agriculture into large scale farms and the aggregate land cultivated, part

⁴⁰ Although the administration has recognized the need for credit, the Agricultural Bank has not increased the number of loans--these loans are not available to members of cooperatives. The total available loan capital for agricultural credit from the Cooperative Bank and the Agricultural Bank, for example, was ID 0.9 million for 1961.

of the labor force employed hitherto is rendered surplus. It is precisely this saving of labor that represents one of the main advantages of large scale farming. Employment can be found for this labor power in two ways: First, additional land is placed at the disposal of the cooperatives. The underemployment of labor force in agriculture can be matched by underutilization of arable land and by reclamation of additional land through irrigation and drainage projects. Although even in such cases major difficulties are caused by lack of agricultural implements, fertilizers, and livestock. Second, the peasants in question are provided with the means and opportunities of engaging in industry. At the present stage of development in Iraq, however, priority should be given to whatever promises greater output per acre: intensification, fertilizers, control of water, intensive education, etc. The efforts towards a chemical industry should be encouraged. A model village, completely mechanized, might be installed to show the advantages of mechanization. Peasants will not do without their horses until they can be sure of obtaining spare parts in time to do the necessary repairs to their tractors. The tractor unit pays if it means the release of two or three men to the factory. If industry can be built up to the point where agricultural machinery and consumers'

goods are available, and if the state can demonstrate in a practical way how the one can be used to acquire the other, there should be no difficulties in the development of agriculture.

In Iraq the break-through to the open path of economic and social development is more difficult than in other countries, and the obstacles that need to be overcome are more formidable than elsewhere. It may well be that in this country, which is particularly plagued by the structural malaise just described, the strategy of development may have to be different from one suitable to countries more favorably structured.⁴¹

⁴¹See N. S. Buchanan and H. S. Ellis, op. cit., pp. 254-55.

CHAPTER VI

PROBLEMS OF AGRICULTURAL PLANNING

The Need for Planning

On the question of who should bear the responsibility for agricultural development, there is little unanimity. It is clear enough that the particular class which in advanced western countries had assumed the initiative in economic development is lacking in Iraq. Excluding oil industry, which is owned and operated by foreigners, there is no significant private enterprise in Iraq.

The planners of Iraq realized that development would not be attained through private investment. It is said that the private investors have neither the required resources for economic development, nor a willingness to risk their capital in the development of long-run projects.¹ It is said that in Iraq not enough middle class capitalists have been developed to be capable of providing the capital resources for

¹ B. Shwadran, op. cit., p. 79.

investment on a scale which is needed to achieve a breakthrough from the old stagnant economy into a developing one. Most of the development projects are shunned by individuals, either because they involve high risks and low benefits from the point of view of exploitation, or because they require the mobilization of a great deal of capital for a long term.² Finally, it is argued that the limited size of the domestic market is an important factor in reducing the profitability of potential investments.³ The reason for this attitude, apart from the lack of opportunity and of market, is that there is not enough confidence in political, economic, and social stability to persuade the individual to invest in an uncertain long-term project, such as building a factory.

The need for planning was illustrated with particular force in Iraq by the mutuality of two economic functions. The improvement of agriculture will affect, and in turn be affected by, the development of industry. The interrelated sectors of Iraq's economy impose a dilemma which cannot be solved without public planning. Iraq is an agricultural country and agriculture has to be fostered in the process of development to raise

²Jacques Berque, op. cit., p. 189.

³Doris G. Addams, Iraq's People and Resources (Berkeley: University of California Press, 1958), p. 124.

agricultural production which will continue to be an important national objective; for without an adequate supply of food and raw materials, there can be no economic growth. The economy needs both an agricultural base and an industrial base; these are not in conflict but are complementary, and beyond a certain initial stage of development, the growth of one conditions and facilitates the growth of the other.

In the main, when agrarian reform is undertaken without reference to industrial development the development process is abortive. Even in the agricultural sector, when agrarian reform is undertaken as a general consequence of industrialization, as in Japan, the development process is highly successful, even in the agricultural sector.⁴

It follows that obstacles to development in Iraq are so formidable that they can be overcome only by deliberate and immediate industrialization on the part of the state, the political apparatus should engage in planning, assume most of the entrepreneurial activities, and attempt to achieve a high rate of capital accumulation as soon as possible.⁵

⁴See Irving L. Horowitz, Three Worlds of Development: The Theory and Practice of International Stratification (New York: Oxford University Press, 1966), pp. 202 ff.

⁵G. M. Meier and R. E. Baldwin, op. cit., p. 362.

Two reasons for planning are apparent: First, in order to gather sufficient momentum, a development plan must ramify widely in space and rapidly in time throughout the economy. Unless the program involves large changes in class relations and social structure, the development process can never be self-generating and cumulative. If ambitious capital and technical programs are undertaken, social and cultural obstacles may disappear without being directly attacked. But industrialization will be achieved only if the scale of such investment is large enough to provide a "shock treatment" for the traditional ruling class, and to enable the unemployed manpower to be used productively. "Launching a country into self-sustaining growth" says one writer, "is a little like getting an airplane off the ground. There is a critical ground speed which must be passed before the craft can become airborne."⁶

Economic development requires substantial productive investment which is large enough to achieve the "take off," the passage from stagnation to intensive development. The obvious cannot be done by small amounts of investment which

⁶Massachusetts Institute of Technology, Center for International Studies, "The Objectives of U. S. Economic Assistance Programs," (Washington, 1957), p. 70.

are likely to be dissipated in a great number of minor projects. Second, only through large-scale development can old distinctions between rich and poor be broken down. Unless class extremes are blunted, political agencies would be unable to regulate the total economy for social purposes.

Rapid economic progress is not possible without painful adjustments. Inherited philosophies of life and colonialist institutions have to be scrapped, old social institutions have to be fought, bands of caste, creed, and race have to be eliminated; and people who cannot keep up with the canons of development may find their expectations of a comfortable life frustrated.⁷

Thus planning is needed, because economic development would not, under existing conditions in Iraq, take place automatically. Consequently it must be planned.

Development Plans

Development Board--1950-1958

The earliest development institution was the Development Board established in connection with the five-year plan for development in 1950. Under the law of 1950, which created

⁷ United Nations, Measures for the Economic Development of Underdeveloped Countries (New York, 1951), p. 15.

the Board, all the government's revenues from oil were assigned to the Board. In 1953, a ministry of Development was established to take some of the Board's functions. Under the Law of 1955, 30 per cent of the oil revenues was allocated to the ordinary budget with the remainder allocated to the Board.

The broad lines of policy of the Board were described as: "Preparation of general economic and financial plan for the development of the resources of Iraq and the raising of the standard of living of her people."⁸

The first "plan" to be drafted in Iraq, the five-year plan, 1951/52-1955/56, was prepared in response to the Bank Mission's recommendations. Its total cost was to be ID 65.7 million, which was to be supplied by oil revenue and domestic loans. The plan consisted of a number of projects already decided upon. The emphasis was placed on irrigation and flood control projects. Among these was the Wadi Tharthar flood control. Agricultural development, according to this plan, received priority in Iraq. The development of animal and extension work had received one-fourth of that allocated to irrigation and flood control schemes. Smaller amounts were to be expended upon transport and public buildings.

⁸Government of Iraq, Development Law, April, 1950.

Industry was given scant attention. This is despite the fact that the Bank Mission's Report emphasized the need for an integrated, well-balanced investment plan, not only in dams and irrigation, but also in agricultural education and extension work, industry, etc. But the development policy at its beginning stage seems to be envisaged simply as more acres.

In 1952, a revised version of this plan was drafted to take account of the rise in oil revenue. The character and emphasis of this revised plan remained the same as those of the original one, but its scope in general terms was enlarged. This plan called for expenditures of ID 155 million.

Soon the steadily rising oil revenues allowed much bolder planning than in the initial stages. In 1955, a new five-year plan was drafted, providing for a total expenditure of ID 304 million between 1955 and 1959. This plan was amended by law no. 54 of 1956, which called for an expenditure of ID 500 million in the period 1955-1960. The purpose of this plan was to take account of the experience of the previous five-year plans and, in particular, the failure to reach the stipulated goals of the existing plan. When this plan was introduced, both its targets and its economic instrumentalities showed the influence of Lord Salter strategy for

economic development which was based on the development of agriculture and the expansion of Iraq's infrastructure and social services, with no attempt to develop industry. This plan, however, emphasized some kind of harmony between long-term and short-term projects. Thus the sum allocated for housing was four times greater than that of the previous plan, and the allocation for the development of animal and plant resources was doubled. Tables 23 and 24 show these four plans.

TABLE 23

SUMMARY OF THE MAIN ITEMS OF THE DEVELOPMENT BOARD'S
FIVE YEAR PLAN 1951/52-1955/56
(ID million)

<hr/> <hr/>		
<u>Revenue</u>		
Oil royalties		91.1
Loans		4.0
		<hr/>
Total		95.1
<hr/>		
<u>Expenditures</u>		
Administration		1.0
Irrigation projects		30.0
Roads and bridges		15.9
Buildings		12.6
Other projects		6.2
		<hr/>
Total expenditures		65.7
<hr/>		

Source: Government of Iraq, Law No. 35 for 1951.

TABLE 24

THE DEVELOPMENT BOARD'S PROGRAMS
(millions of Iraqi dinars)

	1951-56	1955-59	1955-60	% of Total
<u>Expenditures</u>				
Administration	3.2	5.5	7.5	1.5
Irrigation	53.4	108.0	153.5	30.8
Roads, bridges and communication	27.0	74.0	124.5	24.9
Main building	18.0	20.5	37.0	7.4
Summer resorts	----	2.0	2.5	0.5
Housing	----	6.0	24.0	4.8
Reclamation of land	23.0	----	----	----
Industry	31.0	43.5	67.0	13.4
Development of animal wealth	----	6.5	14.5	2.8
Buildings and institutes	----	32.0	59.5	11.9
Miscellaneous	----	6.0	10.0	2.0
Total Expenditures	155.0	304.0	500.0	100.0
<u>Revenues</u>				
Oil royalties	164.6	215.0	385.1	98.9
Interest	-----	.6	4.7	.6
Loans	4.0	-----	-----	.5
Miscellaneous	.1	.1	.2	----
Total Revenues	168.7	215.7	390.0	100.0

Source: Government of Iraq, Law No. 25 for 1952; Law No. 43 for 1955; Law No. 54 for 1956.

Planning Ministry--1959-Present

In 1958, the new regime disbanded the Development Board and the Ministry of Development was replaced by a Planning Ministry in 1959. In that year, the government decided that 50 per cent of the oil revenues, plus any other revenues connected with the plan, would be allocated to finance development planning. The deficiency was to be financed from the proceeds of internal loans.⁹

Premier Qassim stated to the Iraqi "Industrial Federation" that the government would undertake the development of heavy industry, while light industry would be left to the private sector. However, in an interview with a foreign journalist, Qassim explained that there was no actual change in the division of the oil revenue. He claimed that the 20 per cent of 70 per cent of the Development Board was taken for financing the light industry, while the remaining 50 per cent was used in long-range projects. From this one might conclude that the original plan of leaving light industry to private initiative was avoided, or probably did not work out.¹⁰

In 1959, the Planning Ministry drew a new Provisional

⁹Government of Iraq, Law No. 181 for 1959.

¹⁰B. Shwadran, op. cit., p. 74.

Plan (1959/60-1962/63), shown in Table 25, which envisaged an annual expenditure of nearly ID 100 million per annum. According to this plan, the agricultural share of total investment showed a sharp decline. It declined in relative as well as absolute terms.

TABLE 25
PLANNING MINISTRY, THE PROVISIONAL PLAN
(1959/60-1962/63)

Section	ID Million	Per Cent
Agriculture	48	12.2
Industry	39	10.0
Communication	101	25.5
Housing and resort	76	19.0
Public buildings	50	12.8
Public health	25	6.4
Public education	39	10.0
Projects of the Iraqi-Soviet Agreement	10	2.6
Others	4	1.0
Total	392	100.0

Source: Government of Iraq, Provisional Economic Plan (Baghdad, 1959).

In 1962, a new plan was drawn up which called for total five years expenditure of ID 556 million on economic and social development. Oil revenue was to provide ID 315.8 million for financing this plan, while foreign loans would

contribute about ID 77.2 million and revenue from government agencies would amount to ID 8 million. Agricultural share was about 20 per cent of the proposed investment. Tables 25 and 26 show these two plans.

TABLE 26

DETAILED ECONOMIC PLAN, 1961/62-1965/66
(millions of Iraqi dinars)

<u>Expenditures</u>	
Agriculture	112.9
Industry	166.8
Transportation and communication	136.5
Buildings and housing	140.1
	<hr/>
Total Expenditures	<u>556.3</u>
 <u>Revenues</u>	
Oil royalties	315.8
Profit from government enterprises	22.8
Revenues from government agencies	8.0
Foreign loans	77.2
Miscellaneous	1.0
	<hr/>
Total Revenues	<u>423.8</u>

Source: Government of Iraq, Law No. 70 for 1961.

The decline in the share of agriculture in the planned investments of these two plans--the Provisional Plan and the Detailed Plan--was attributed to two factors: First, most of the big irrigation projects, dams, flood control, etc. were nearing completion and were financed from the previous investment plans. Secondly, there was a new emphasis on the investment in social and industrial development.¹¹

The decline in the relative share of planned investments for agriculture was due to the feeling among the Iraqi planners that the marginal productivity of agricultural investment is lower than that of the industrial one.¹² Under these two plans, industry received a high percentage of total planned investments (12.6 per cent under the provisional plan and 30 per cent under the detailed plan).

In fact, the FAO Report estimated that for the period 1958-65, investment in agriculture would be about ID 46 million per annum.¹³ Under the provisional plan and the detailed

¹¹Most of the agricultural projects included in these plans were related to irrigation and drainage works, water storage and drilling and silos, in addition to expenditure in connection with agrarian reform.

¹²Abbas Alnasrawi, Financing Economic Development in Iraq (New York: Frederick A. Praeger, Publishers, 1967), p. 61.

¹³FAO Report, op. cit., p. 30.

plan, planned investments for agriculture amounted to ID 12 million and ID 20 million respectively. If one has to allow for the lag of actual expenditures behind planned expenditures, the share of investment for agriculture will be lower than the figures shown in these tables.

Iraq's Five-Year Plan 1965-1969

On January 18, 1965, the government announced a new five-year plan of development, the basic objective of which was "to remedy the economic weakness resulting from one single form of national revenue, namely, oil." The plan envisaged total expenditures of ID 821 million. The share of this plan for the agricultural development was about ID 157 million. Oil revenue was to provide ID 390 million, and foreign loans ID 95 million. The rest was to be met by mobilizing national resources. The main allocated expenditures for agricultural development are in the form of irrigation and drainage projects, storage projects, development of animal wealth, silos and in connection with the agrarian reform program. Table 27 shows this plan. According to that table, the share of the five-year plan for the agrarian reform program was ID 119,560,000, to be spent during the period from 1965 to 1969.

TABLE 27

REPUBLIC OF IRAQ: THE FIVE-YEAR PLAN, 1965-1969
(millions of Iraqi dinars)

Sector	Public Sector	Private Sector	Total
<u>Expenditures</u>			
Agriculture	145.00	12	157.00
Industry, electricity and water	210.00	5	215.00
Transport and communications	99.00	20	119.00
Buildings, housing, and social services	122.53	141	263.53
Trade and services	1.00	3	4.00
International liabilities and repayment of loans	25.00	---	25.00
Planning, statistical and follow-up systems	2.47	---	2.47
Ministry of Defence (productive projects)	35.00	---	35.00
Total Expenditures	640.00	181	<u>821.00</u>
<u>Revenues</u>			
Cash balance brought/forward on 3-31-1965			30.69
Oil royalties (50% of total oil royalties)			390.00
Iraqi Ports Directorate			8.00
Profits from government enterprises			4.00
Foreign loans			95.00
Domestic loans			30.00
Other revenues			3.48
Total Revenues			<u>561.17</u>

Source: Government of Iraq, Law No. 87 for 1965.

This plan constituted the first attempt in Iraq at comprehensive, integrated planning. For the first time, projections were made and targets were formulated for the performance of the entire Iraqi economy--both public and private sectors, both current and capital needs. The resources and foreign exchange implications were calculated and conclusions for policy drawn.

It is the intention of the plan to raise the growth rate of gross domestic product from 6.4 per cent per year to 8 per cent per year, and to achieve this through gross investment of 22 per cent of gross domestic production each year and its direction to the more directly productive sectors. It is hoped that this rate of growth will double national income in nine years and the per capita income in thirteen years. It is expected that this rate of growth will permit per capita private consumption to grow by about 5.5 per cent per year which is less than the increase in national income. (Assuming a rate of population growth of 2 per cent, the average per capita consumption will be 3.5 per cent.)

About 78 per cent of the total projected investment of ID 821 million is to be undertaken by the public sector. Private investment is to make up the remainder; it is hoped that ID 181 million will come from the private sector.

Highest priorities in the plan were accorded to industry, agriculture, transport and communication, and buildings and social services. The planned investment in directly productive sectors--industry, agriculture, electricity, and transport--together accounted for 60 per cent of total capital expenditures.

The likelihood of this plan being faithfully implemented depends primarily on political stability and the ability of the administration. Financially, the government is perfectly capable, considering its high oil revenue, of channeling about ID 600 million toward economic and social development. As for the private sector, much depends on the government's policy toward this sector.

By standards of the previous plans, these short-run aims are optimistic, or, perhaps one should say, unrealistic. These will be difficult to accomplish. As a matter of fact, the current data show that there is a lag in government expenditure and there is no sign that the government will be able to execute its plan within the period specified by the plan.

Apart from the factors already mentioned, a number of other new factors have injected themselves into the picture. Among them are the following: First, while the

planners estimated the population growth rate as 2 per cent, it is generally agreed that it is growing more rapidly, probably 2.5 per cent or more. Thus the estimates both of the level and rate of growth of gross domestic product seem to have been based upon faulty assumptions as to the level and rate of growth of population. As has been seen, Iraq does not as yet suffer from excess population. Provided that the extra workers can be put to use on the land or in the cities in productive employment, rather than piling up into unemployment, population growth may constitute a national asset. But aggregate rates of achieved income growth must now be re-evaluated as implying lower per capita growth rates. The target growth rate of the gross domestic product should be adjusted upward to about 2 per cent per year if the per capita targets are to be realized. Absolute investment targets must therefore be raised if the original per capita growth targets are to be attained.

Secondly, since the rural-urban migration is continuing and urban unemployment is believed still to be increasing, employment creation is becoming a greater concern to policy makers. There is no prospect of the new modern industries employing significant numbers. As long as the overt unemployment persists it is likely to result in strong pressure upon

policy-makers to employ labor-intensive techniques and undertake employment creation projects, regardless of their economic merits. The rising urban population, of which unemployment is a manifestation, is also likely to divert investment capital into less productive plans of capital such as low-cost housing, sewage systems, and other expensive social overhead.

Finally, the political instability which has marred the Iraqi and Arab Middle East regions, constitutes a major factor affecting the outcome of the plan.

Impact of the Development Plans on Agriculture

According to the 1958/59 agricultural census, about 14 million donums had irrigation facilities; however, only 56 per cent is cropped each year; the remainder is left fallow.

Views concerning the problem of water supply in Iraq differ. Atkenson, for instance, estimated total cultivable area that could be irrigated after the completion of the irrigation and drainage projects at 35 million donums.¹⁴ According to Nelson Wesley's estimate, this area will be 18 million donums. The K.T.A.M. report, which is based on the

¹⁴El-Shaibani, op. cit., p. 37.

assumption of large storage capacity provided by ten new dams, estimates that an additional 9 million donums of land could be brought under cultivation.¹⁵

The Hindiyyah barrage on the Euphrates, which was completed in 1913, serves about 2.8 million donums. The Kut barrage system on the Tigris, which was completed during the 1930's, provides irrigation water for about 1.6 million donums, and the Diala Weir system provides nearly 1.3 million donums.

Four dams or barrages for flood control and irrigation were completed, following the creation of the Development Board in 1950. The two flood control projects, the Tharthar, on the Tigris, and the Habbaniyah, on the Euphrates, are the Board's major achievement under previous plans. The Tharthar project (completed in 1956) diverts water from the Tigris into Wadi Tharthar depression, a vast natural basin with a storage capacity of 30 billion cubic meters. The Tharthar depression, however, was assumed to fulfill a double purpose, flood control and storage water for irrigation. But the project's storage capacity was doubted and there was no

¹⁵Knappen-Tippetts-Abbott-McCarthy Engineers, Report on the Development of the Tigris and Euphrates River System (Baghdad: Development Board, 1954; mimeo).

agreement reached in this connection. The possibility of seepage, salination, and evaporation also created doubts about the feasibility of the project for irrigation. The inability of the experts to reach a decision about the possibility of using the Tharthar project for irrigation, and the fact that the project's efficiency could not be tested for about 10 years, led to the construction of alternative projects based on the assumption that the Tharthar depression was unsuitable.¹⁶

Habbaniyah reservoir (also completed in 1956) stores 2 billion cubic meters of water diverted from the Euphrates by the Ramadi Barrage. Dokan dam on the Little Zab (completed in 1959) has a storage capacity of 6.3 million cubic meters. Derbendi-Khan dam on the Diala Rivers (completed in 1961), has storage capacity of 3 billion cubic meters. These dams and barrages are expected to provide adequate protection from flood damage and to bring about increased crop production from new lands opened for cultivation, higher yields in areas already cultivated, and double cropping.¹⁷

In 1966, water supply which can be provided by seven

¹⁶K. Langley, The Industrialization of Iraq, p. 168.

¹⁷U. S. Department of Agriculture, op. cit., p. 19.

dams was estimated at about 60 milliards of cubic meters.

This is shown in the following table.

TABLE 28

IRAQ'S WATER STORAGE CAPACITY, 1966
(milliards of cubic meters)

Dam or Reservoir	Storage Capacity	Date of Completion
Dokan (Little Zab-Tigris)	6.80	1959 completed
Derbendi-Khan-Tigris	3.25	1963 "
Habbaniyah-Euphrates	3.25	1964 "
Haditha-Euphrates	11.00	1968 work to
Mosul-Tigris	14.00	1968 commence
Himreen-Diala-Tigris	unknown	1970 "
Bukhma-Greater Zab-Tigris	8.00	1980 "

Source: Government of Iraq, Ministry of Agrarian Reform,
Fellah and Agrarian Reform, No. VI (February, 1966),
p. 5.

According to the official statement, the above storage capacity will irrigate about 17 million donums annually but more storage facilities will be required in order to cultivate the area intensively. Thus the planning authority decided to undertake new projects which would irrigate nearly two million donums. This is shown in Table 29.

Under the current five-year plan about one-sixth of the total funds for water projects was to be spent on dams

and barrages while the major part was allocated for other works on improvement of irrigation and drainage systems. The projects undertaken were to be completed in 15 years; when completed, they were to regulate irrigation and drainage of 9,800,000 donums in the Tigris basin (including 2,240,000 donums previously uncultivated) and 6,000,000 donums in the Euphrates basin (including 1,000,000 donums previously uncultivated).¹⁸

TABLE 29
NEW PLANNED IRRIGATION PROJECTS

Project	Area in Donums	Date of Completion
Kirkuk-Adhaim-Little Zab	325,000	Work in process and expected to be completed in 1976
Eski-Kalak-Greater Zab-Tigris	10,000	Expected date of completion is 1968
Extension in Diala Basin	100,000	Work to commence within the next 10 years
Mindli-Badrah-Jassan	50,000	Work to commence within two years

Source: Government of Iraq, Ministry of Agrarian Reform, Fellah and Agrarian Reform, No. VI (February, 1966), p. 5.

¹⁸ U. S. Department of Agriculture, op. cit., p. 19.

In 1964, the government decided on the construction of the Mosul Dam on the Tigris north-east of the City of Mosul at an approximate cost of ID 68 million. The Dam will store 13.5 billion cubic meters of water and will generate 350,000 kw of electricity.¹⁹ The Upper Euphrates Dam will also be constructed at the cost of about ID 40 million. Measures have been taken by the government to implement the construction of several other projects involving a cost of ID 50 million and serving 3.5 million donums of agricultural lands.

Evaluation of Planning
Economic Development

Under Expenditure

Under the first five-year plan, the Board planned to spend ID 155.4 million during the period 1951/52-1956/57. This would give an annual expenditure of ID 31 million. Over the five years (1956-60) the Board projected a total expenditure of ID 500 million, an annual expenditure of ID 100 million. Between 1960 and 1965, development expenditure was planned to be ID 649.1 million. These amounts seem very large in proportion to the Iraqi economy. Compare these sums with

¹⁹Government of Iraq, Ministry of Agrarian Reform, Monthly Review, Bulletin No. II (November, 1964), p. 2.

the estimated national income of Iraq in 1950 at about ID 150 million, the rate of investment was almost one-third of the national income. These investments, judged from comparison with the total government expenditure, which up to 1950 did not exceed ID 30 million, and the total value of Iraq's exports, which in 1947-1950 averaged ID 16 million, appear quite great and lead one to think that Iraq is going to break its vicious circle. In addition, in 1950, government revenue from all sources amounted to ID 43.5 million, of which ID 5.3 million came from oil. By 1965, however, government revenue exceeded ID 200 million, or about five times that of 1950. Further, between 1950 and 1964, Iraq received a total of ID 1.056 billion (\$2.95 billion) as oil revenue. Comparing these figures with the size of the country and its total population of 7 million, the flow of revenue would seem apt to cause an unprecedented economic and social revolution.

One of the main characteristics of the pattern of Iraq's development policy is that not only are the actual expenditures lagging behind the planned expenditures, but that the actual revenues were higher than the planned ones. For the first four years of the Board's operations, revenue totaled ID 107 million, and while total planned expenditures were ID 89.8 million, actual expenditures amounted to only

ID 44.4 million. Between 1955/56 and 1959/60, planned expenditures were ID 394.8 million, but actual expenditures were only ID 227.3 million, while actual revenue was ID 254 million.

Actual expenditures fell far behind planned expenditures even under the new regime which came to power in 1958. The Board planned ID 630 million to be spent in the period 1960/61-1964-65. By the end of 1964/65, actual expenditures were only ID 270 million while actual revenues were ID 319 million.

According to Table 30, which shows planned and actual expenditures and revenues from 1951/52 to 1954/55, the Board succeeded in spending only 50 per cent of projected expenditures, or about 41 per cent of the total revenue during the period concerned. Even expenditure on irrigation fell far short of the allocated expenditures. Industry suffered most. In its first five-year plan, 1952-1956, the Board allocated ID 31.1 million or about 20 per cent of total investment for industrial development. Up to 1955, only ID 2.6 million had in fact been spent. The failure of the Board to spend on the development of other sectors of the economy such as road construction, human resources and the like, meant that the only visible material result of the development expenditures was

TABLE 30

EXPENDITURES AND REVENUES OF THE DEVELOPMENT BOARD, 1951/62-1954/55
(millions of Iraqi dinars)

	1951-52		1952-53		1953-54	
	Planned	Actual	Planned	Actual	Planned	Actual
<u>Expenditures</u>						
Administration	.2	.1	.4	.2	.6	.3
Irrigation	3.0	.8	7.1	2.5	10.8	4.8
Roads and bridges	2.1	.6	3.8	1.8	4.7	1.9
Land reclamation	1.7	.8	3.4	1.0	4.1	2.3
Buildings	2.4	.9	2.7	2.3	3.1	2.4
Industry	.1	--	3.0	.1	5.0	.5
Total	9.4	3.1	20.5	7.8	28.4	12.3
Revenues	10.5	7.5	20.5	24.0	33.8	35.3
Surplus of Actual Revenues over Actual Expenditures	4.4			16.2		23.0
<u>Actual Expenditures</u> Actual Revenues	41%			33%		35%

TABLE 30--Continued

	1954-55		Total				<u>Actual</u>
	Planned	Actual	Planned		Actual		<u>Planned</u>
	ID	ID	ID	%	ID	%	%
<u>Expenditures</u>							
Administration	.6	.3	1.9	2	.9	2	48
Irrigation	11.9	8.5	32.9	37	16.9	38	51
Roads and bridges	5.3	4.3	15.9	18	8.6	19	54
Land reclamation	4.4	3.0	13.9	15	7.2	16	52
Buildings	3.3	2.7	11.4	13	8.2	19	72
Industry	6.0	2.0	14.0	15	2.6	6	18
Total	31.6	20.9	89.8	100	44.4	100	49
Revenues	34.9	40.7	99.8	100	107.6	100	108
of which oil revenue	34.3	40.0	96.0	96	104.4	97	109
<u>Surplus of Actual</u>							
<u>Revenues over</u>							
Actual Expenditures		19.8			63.2		
<u>Actual Expenditures</u>							
Actual Revenues		51%			41%		

Source: Abbas Alnasrawi, Financing Economic Development in Iraq (New York: Frederick A. Praeger, Publishers, 1967), pp. 44-45.

the flood control schemes and the expansion of acres.

Table 31 shows that the period 1955/60 was characterized by an increase in development expenditures compared with the previous period; total expenditures reached ID 227.3 million between 1956 and 1960, compared with only ID 44.4 million which were spent during the previous period. Although the level of actual expenditures was still behind that of planned expenditures, 58 per cent, this, however, constituted about 95 per cent of total actual revenues as compared with only 41 per cent during the previous period.²⁰

The new regime which came to power following the military revolution in 1958 introduced three economic plans--the provisional plan, the economic detailed plan, and the present five-year plan (1965-1969). According to Table 32, which shows the planned and actual expenditures from 1960 to 1965, the rate of performance under the new regime planning was only 43 per cent with emphasis not on industry or agriculture where the rates of performance were 33 per cent and 34 per cent respectively. A 60 per cent rate of performance, which is the

²⁰For a general account of the oil impact on Iraq's economic development, see Abbas Alnasrawi, Financing Economic Development in Iraq (New York: Frederick A. Praeger, Publishers, 1967), which has been drawn upon extensively in this section.

TABLE 31

PLANNED AND ACTUAL DEVELOPMENT EXPENDITURES AND REVENUES, 1955/56-1959/60
(millions of Iraqi dinars)

	1955-56		1956-57		1957-58	
	Planned	Actual	Planned	Actual	Planned	Actual
<u>Expenditures</u>						
Administration	2.9	2.7	.8	.6	.9	.7
Irrigation	13.1	10.9	24.0	11.3	26.9	12.1
Roads and bridges	14.1	8.4	17.8	9.2	26.8	12.4
Buildings, housing and summer resorts	3.1	1.8	7.4	4.7	16.3	9.4
Industry, mining, and electricity	4.1	2.9	17.0	5.0	16.0	8.6
Animal wealth	1.0	.6	3.0	1.0	3.0	1.1
Other projects	8.3	6.0	12.0	11.2	11.8	13.1
Total	46.6	33.3	81.9	43.0	101.6	57.4
Revenues--Oil	43.0	59.1	65.2	48.2	65.2	34.2
Others	1.8	1.7	.6	3.9	.6	1.6
Total Revenues	44.8	60.8	65.8	52.1	65.8	35.9
Actual Surplus		27.5		9.1		21.5
<u>Actual Expenditures</u> Actual Revenues		55%		83%		160%

TABLE 31--Continued

	1958-59		1959-60 ^a		Total		Actual		A
	Planned	Actual	Planned	Actual	Planned		ID	%	P
					ID	%			%
<u>Expenditures</u>									
Administration	.9	.7	.7	.3	6.2	1	5.1	2	82
Irrigation	27.0	10.8	21.9	6.1	112.9	29	51.2	23	45
Roads and bridges	32.2	7.9	15.1	11.4	105.6	27	49.3	22	47
Buildings, housing, and summer resorts	14.3	10.2	9.3	7.1	50.2	13	33.3	15	66
Industry, mining, and electricity	11.0	11.9	6.8	3.9	54.9	14	32.3	14	59
Animal wealth	2.5	1.8	1.9	1.6	11.4	3	6.2	3	54
Other projects	11.8	8.9	9.6	10.2	53.3	13	49.9	22	94
Total	99.6	52.2	65.2	40.6	394.8	100	227.3	100	58
Revenues	65.8	61.7	49.4	31.9	291.6	100	242.4	100	83
of which oil revenue	65.2	60.8	48.9	31.8	287.5	99	234.1	97	81
Actual Surplus		9.5		8.7			15.1		
<u>Actual Expenditures</u>									
Actual Revenues		85%		127%			94%		

^aFor the first nine months of the fiscal year 1959-60 (through December, 1959), the provisional plan became effective in January, 1960.

Source: A. Alnasrawi, Financing Economic Development in Iraq, pp. 47-48.

highest, was achieved in the field of housing and public buildings.

The inability to spend, therefore, persisted even under the new regime development policy which proclaimed that one of its main goals was to achieve a rapid social and economic progress. As Table 32 shows, actual expenditures were only 63 per cent of the actual development revenue. There was a drastic reduction of investment in the area of irrigation and agricultural improvement. During this period, actual expenditure in this sector amounted to only ID 36.1 million, or about ID 7.2 million per annum.

Similarly, under the five-year economic plan (1962-66), an amount of ID 166.8 million was allocated for major and complementary industrial projects. At the end of 1965, a total of ID 46.2 million was reported to have been invested while total planned investment for industrial projects in this period was ID 140.9 million or about 33 per cent of its allocated investment for industrial development was in fact spent.

According to the new five-year plan (1965-69) an amount of ID 119.56 million was allocated for the purpose of agrarian reform programs, of which ID 17.56 million was to be spent during the first year of the plan (1965/66). At the end of the mentioned year, only 21 per cent of the allocated

TABLE 32

PLANNED AND ACTUAL DEVELOPMENT EXPENDITURES AND ACTUAL REVENUES, 1959/60-1964/65
(millions of Iraqi dinars)

	1959-60 ^a		1960-61		1961-62		1962-63	
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual
<u>Expenditures</u>								
Agriculture	3.6	2.6	18.1	10.8	23.4	9.8	20.2	6.3
Industry	2.4	1.0	12.6	5.7	18.6	7.1	24.7	10.3
Transportation and Communication	5.6	1.2	36.2	7.9	38.3	14.1	32.4	15.8
Housing and Public Buildings	5.5	3.7	52.1	18.1	67.2	30.2	30.8	26.4
Other Expenditures	2.2	.7	18.0	3.0	--	--	--	--
Total	19.3	9.2	137.0	45.5	147.5	61.2	108.1	58.5
Total Revenues	11.5		47.8		66.7		70.0	
<u>Actual Expenditures</u> Actual Revenues	80%		95%		92%		84%	

TABLE 32--Continued

	1963-64		1964-65		Total		$\frac{A}{P}$
	Planned	Actual	Planned	Actual	Planned	Actual	
<u>Expenditures</u>							
Agriculture	22.8	4.5	24.7	4.6	112.8	38.7	34
Industry	39.6	9.5	43.0	12.6	140.9	46.2	33
Transportation and Communication	29.8	18.3	27.9	10.3	170.2	67.6	40
Housing and Public Buildings	25.5	21.2	24.0	24.3	205.1	123.9	60
Other Expenditures	--	--	--	--	20.2	3.7	18
Total	117.6	53.5	119.6	51.8	649.1	279.7	43
Total Revenues		67.7	66.6		330.5		
<u>Actual Expenditures</u>		79%	78%		63%		
Actual Revenues							

^aFor the last three months of 1959/60.

Source: A. Alnasrawi, Financing Economic Development in Iraq (New York: Frederick A. Praeger, Publishers, 1967), pp. 50-51.

expenditure was actually spent. In the year 1965/66 (Table 33), actual expenditures on water storage projects were 5.6 per cent. Expenditures on irrigation and drainage projects were 23.3 per cent and on agrarian cooperatives 16.3 per cent. It was also planned to distribute 567,000 donums during the year 1965-66. By the end of the year, only 80,682 donums were distributed, or about 14 per cent of those planned.

TABLE 33

PLANNED AND ACTUAL DEVELOPMENT EXPENDITURES
ON AGRICULTURE, 1965-69
(thousands of Iraqi dinars)

	1965-66		%	1965-69
	Planned	Actual		Planned
Irrigation	11,055	2,457	22.2	88,450
Distribution	100	-	-	1,000
Cadastral Survey	230	87	37.9	1,150
Agricultural Machinery	1,250	9	.7	8,000
Agricultural Production and Cooperatives	1,580	188	16.3	11,400
Agricultural Bank	200	200	100.0	5,000
Total	14,415	3,041	21.0	115,000
Others	3,148	-	-	4,560

Source: Government of Iraq, Ministry of Agrarian Reform, A General Report on the Investment Program of the First Year of the Plan 1965-69 (Baghdad: Directorate General of Planning and Relations, 1966), p. 20.

A recent Iraqi-Soviet economic agreement provided for four machinery rental stations. These four, and nine additional stations, are included in the current five-year plan. By 1965, however, official reports showed that the old four stations did not start operation yet due to the delay in their deliveries. In 1965, actual expenditures on SMS, agricultural machines and equipment, and buildings were 1.73 per cent of those planned for that year. This is shown in Table 33.

Despite the great concern of the new regime with social and economic development, the progress achieved in this area was poor, since 1958. If in most realistic development plans, the share of investment going to industry and agriculture is at least 50 per cent, and if the plans assigned to these sectors about 36 per cent of total investment, the Planning Board has whittled them down to 12 per cent. And the envisaged government outlay is not to be an energetic effort at the mobilization of the existing resources, the post revolution five-year plans turned out to be a second edition of the pre-1958 five-year plans--attaining rates of growth providing for only an insignificant increase of per capita income. As Caractacas pointed out:

Worst of all (the board's shortcoming) in Iraqi eyes, was the failure to promote industry. Forever Iraq traded its oil for American cars and other luxury

goods. Money was not spent either on large-scale industrial projects or on the rationalization of agriculture.²¹

Failure of the Board to invest in agriculture and industry which could create a permanent employment and lead to achieving a major structural change in the economy increased rather than lessened dependence of the development effort and the entire economy on the oil revenue.²²

The new regime's economic difficulties have no doubt been caused partly by the uncertainties of the new situation and partly by the necessary adjustment to the new social and economic conditions. But in great measure they may also have been the result of the intensive political struggle associated with the revolution, the immaturity of the revolutionary forces coming into power, as well as of the inability of the regime to find the right policies and to create rapidly the machinery of the new administration. Nor has the regime been able to mobilize the people to make greater efforts in order to achieve a higher standard of living.²³

Because of ideological influences, the new regime was

²¹Caractacas, op. cit., p. 36.

²²A. Alnasrawi, op. cit., p. 88.

²³B. Shwadrán, op. cit., p. 79.

determined to concentrate on social services such as housing, health and education, and these items were given priority in the development policy. While the amounts planned for these items were about four times what they had been in the previous years, no adequate provisions were made for the revenue, and neither did the planners give sufficient thought to the utilization of the social facilities once they were completed.²⁴

What conclusions can be drawn from this development policy in Iraq? It often seems that the stagnation of the economy and the inability to take-off into sustained growth are caused by the difficulty in using sufficient amounts of capital above the "critical level." Despite the fact that Iraq has had more than two decades of planning experience, technical and administrative difficulties seem to persist. Even when the required capital for development was made available, it was liable in the face of various social and political pressures to relapse fairly quickly, and with it the proportional growth rate. This is not to say that the main obstacle to Iraq's development is the above mentioned difficulty: more important, as we have seen, may well be the smallness of the agricultural surplus, or the waste of it and of the oil

²⁴ Ibid., p. 79.

revenue on relatively unproductive purposes, which sets a limit upon total investment; to the extent that this is so, the removal of this bottleneck and the raising of the coefficient of investment may be considered as prerequisites to Iraq's development. It seems, however, that the problem of the impulse to rapid development in Iraq leads to the discovery of remedies for wasteful utilization of all its resources for the development purposes. In the final analysis this is not so much a financial problem as one of economic development.

Extension, Education, and
Agricultural Research

In 1952, Iraq had created an extension service which had received the guidance and advice of foreign experts. Recently, it was combined with other services in the Ministry of Agrarian Reform. In 1958, there were over 1,200 foreign technical personnel of about 24 nationalities, including Agencies of the United Nations. The task of foreign experts was to develop Iraq's extension services and to train agents, supervisors, and managers for agricultural extension services.

These attempts made by national and international aid to support the creation of agricultural centers and extension

work and research have not been successful. One could perhaps attribute this failure to the lack of sufficient capital investment in agricultural improvement, education, and research. Or one might say that the incentives were not effective because they were not made sufficiently attractive. But one could also argue that the efforts to initiate agricultural development failed because they were wrongly conceived and directed, and this is true because the nature and character of Iraqi agriculture were not understood. Most often, these experts have come to think about all economic phenomena exclusively in terms of a capitalist economy, where the entrepreneur seeks to maximize his profit, and where the commodity can be exchanged on the market at uniform prices and none exchanged otherwise.

As we have seen before, the economic structure of Iraq has been characterized with specific economic phenomena which do not always fit into the framework of the capitalist economic theory. Small holdings operated by sharecroppers or tenants for absentee landlords, producing mainly for home consumption, are not commonly found in Western modern agriculture. Nor are large, chiefly self-sufficient farms operated for the benefit of absentee sheikh-owners, and worked by semi-serfs tied to the farm and paid with a small share of

the produce. The capitalist economic theory is based on cultural-institutional traits which do not exist in Iraqi economy, and lack of part or all of the capitalist institutions in Iraq presents a distinct problem for analysis and a different set of problems to solve.

In addition, foreign experts are confronted with what the Iraqi planners believe in approaching the agricultural problem in Iraq. They emphasize that if the design and construction of a drainage system can be solved, then the other problems can be solved automatically. Yet the lack of sufficient plans for drainage construction most often has discouraged foreign experts. Closely related to this issue is the conviction that time alone will solve any shortcomings in a department's work.²⁵

Competition between multilateral and bilateral advocates was very keen. Two countries, each seeking to increase its influence with Iraq; or between individuals representing different national groups with planning models to sell. Poor coordination on the part of the government led to situations in which individuals with different ideologies were put together to work in one region. There was also an eagerness of

²⁵John L. Simmons, op. cit., p. 139.

assisting groups to "sell" their services in spite of the danger of overstaffing and competition. There was a personal conflict of philosophy and prejudice reflecting national origin.²⁶

Another handicap which discouraged foreign experts is connected with limited data. Lack of available data shows that the planning groups must work with limited knowledge when they are trying to develop the agriculture in Iraq. For that reason, there is little data concerning the process of agricultural growth, and what meager information is available is more physical and technical than economic in nature.

The creation of a satisfactory extension service is affected by the lack of trained students for agricultural purposes. Illiteracy is an important factor affecting the improvement of agriculture in Iraq. It is hoped that the present campaign against illiteracy will raise the level of education among the youths. In 1965, some 489 students were enrolled in the Agricultural College and 155 students in the Veterinary College. The Agricultural and Forestry College in Mosul had 252 students. In 1964, there were about 5,950

²⁶ Warren F. Adams, op. cit., p. 285.

Iraqi students studying in foreign countries.²⁷ Further, in 1960, about 1,600 students were enrolled in 11 secondary agricultural schools and 1,340 students in intermediate agricultural schools in ten provinces; students and teachers had been tripled since 1957.

Today, economists and sociologists argue that agricultural development requires investment in farm people. Reading Hansen's Economic Issues of the 1960's and Schultz's Transforming Traditional Agriculture leads one to think that education is a prerequisite to any development in backward countries. Both authors cited Japanese development as an example of the role of education in this progress. Schultz showed that agricultural development in Japan was made possible by investment in agricultural research in schooling to develop a corps of specialists in farm development, and in farm people themselves in order to enable them to employ the new methods and techniques in farm practices.²⁸ Hansen emphasized that:

The real basis of scientific agriculture in Japan is a system of universal and compulsory education:

²⁷Government of Iraq, Statistical Abstract 1964 (Baghdad: Government Press, 1965), p. 412.

²⁸T. Schultz, Transforming Traditional Agriculture (New Haven: Yale University Press, 1964), p. 190.

It introduced as early as 1868, a system of general education which enabled Japan to break the hold of traditionalism and thereby to utilize the vast productive powers released by modern science.²⁹

According to the Iraqi Government figures, an increase in the number of students in primary, secondary, and higher education from over 525,278 in 1958 to over 1,203,856 in 1964-65, an increase of about 130 per cent, is significant.³⁰ But the youths, even with an elementary education, have rejected farming and left the countryside, seeking betterment in the city. The spread of primary education through the country creates a new value system which looks upon agriculture as a vocation. Much higher status was associated with land ownership or public office or intellectual activity than is enjoyed by the profession connected directly with material production. For the villager, going to school meant an opportunity for him to find an escape from farming. Manual work is held in low regard in Iraq. Thus, experience in Iraq showed that better education for farm people paved the way for the youths to seek non-agricultural work, because with their education, they could earn more if they left farming. One

²⁹ A. Hansen, Economic Issues of the 1960's (New York: McGraw-Hill Book Company, 1960), p. 162.

³⁰ Government of Iraq, Statistical Abstract 1964 (Baghdad: Government Press, 1965), p. 412.

explanation for this attitude is that agricultural work in Iraq is associated with hardship and cruelty. To operate as they do with very primitive implements uses up a great deal of energy and occupies a great deal of time. Yet the productivity is negligible. The root of the problem, however, lies in the low agricultural income. In 1963, the per capita income of the agricultural people amounted to only one-fourteenth of that of the non-agricultural people. Who would accept this low income earned from farm work, while the opportunity is opened to one with little education to earn many times more than that in other lines of work? The Iraqi society is handicapped by social imbalance. An elementary school-teacher receives an annual income of ID 600 for the first three years and lives among peasants who may not receive any cash income in a season. Thus, there is every justification for rejecting farming by the educated person.

In the past, education has upset the balance of Iraqi society by creating unemployed semi-educated people because in the absence of economic and social progress the economy failed to utilize those who acquired a little education. With a low national income, the educational facilities are low. When the economy is developing rapidly, the educational facilities will develop rapidly too. The economy must be

sufficiently productive to absorb the educated people. Thus, each determinant of the level of education is inevitably related to and affected by the level of economic development. The several vocational schools now in Iraq are interested in teaching skills, and not in changing attitudes and values. But with rapid economic growth, these values and attitudes will give way--as in post-feudal Europe--to a "commercial" approach to farming.

Improvement of Productivity

With regard to the water development policy in Iraq, the question that immediately arises is whether the new water supply provided by the new dams and reservoirs should be used for intensive cultivation on existing areas, for the cultivation of additional areas, or for both purposes? What matters here is not the quantity of water. Indeed, what confronted (and still confronts) the policy-makers is how to utilize this water in order to improve the agricultural productivity. Our discussion here is confined to the following: (1) drainage, (2) improvement of existing areas, and (3) the use of fertilizers.

Beginning with the first, it should be noted that drainage is vital in Iraq, otherwise the land becomes salty

and unproductive. In 1949, the Haigh Commission's Report estimated the cost of drainage at an average of ID 2 per donum which was considered less than the cost per donum of opening new land.³¹ The KTAM Report estimated the total cost of a full drainage system at ID 79 million.³² This will give an average cost per donum of between ID 3.5 and ID 4. In Dujaila project, the cost of reclamation was about ID 3 per acre. This was considered not high in comparison with the cost of reclamation of waste land in European countries.³³ The cost of providing drainage and irrigation facilities to new areas alone, rather than to existing and new areas together, was very high. The cost of newly irrigating 800,000 donums, for example, in the "Gharraf" area and of improving the irrigation of 3 million donums of existing area was estimated at ID 8.74 million. If the entire cost were allocated to only the new irrigated land, the cost per donum would be ID 11; if, however, it were spread over the whole area, it would be only ID 2.³⁴ Salter suggested that it is better to

³¹ Lord Salter, op. cit., p. 194.

³² F. Qubain, op. cit., p. 76.

³³ D. Warriner, Land Reform and Development in the Middle East, p. 165.

³⁴ Lord Salter, op. cit., p. 182.

improve the existing land rather than to open new land, because the cost per donum of the latter will be higher than that of improving the existing land.³⁵ In 1959, Dutch engineers estimated overall drainage costs, including excavation, pumping stations, main and farm drain at ID 20 per donum. The benefits were estimated to pay for the costs within seven years. This was based on the marketing value of the poorest paying crop, barley, increasing average yields from 150 kg/donum to 500 kg/donum. The costs were estimated in 1959 prices.³⁶

Some ID 30 million had been allocated for the period up to 1960. Data are not available for the years 1961-64, but the present economic plan called for an expenditure on irrigation and drainage of ID 77 million. Thus one might conclude that by 1970, Iraq's drainage program would be constructed.

This brings us to the second possible method of raising agricultural productivity which is closely related to this range of issue, that is improvement of existing areas. Under the present farming system, only one half of the cultivated land is cultivated in any single year due to the shortage of

³⁵ Ibid., p. 194.

³⁶ P. J. Dieleman (ed.), Reclamation of Salt Affected Soils in Iraq (Wageningen, 1963), p. 59.

water supply and the almost complete absence of the use of fertilizers. The fallow system under which land is cultivated only in alternative years is generally used in Iraq. In the fallow years, the weeds and grasses are allowed to grow and it is used for grazing. Crop rotation is not used, and animal manure is used for fuel and other purposes and not applied to enrich the soil. By providing proper drainage only, some barley yields increased 4.4 times over the old yields. Experimental drainage programs were started in several areas in Iraq, and the results were dramatic.³⁷ Table 34 shows the results of these experiments in Twarij and Dujaila.

Thus, the agricultural problem in Iraq is reduced to one of low productivity per worker and per donum. And because of this low productivity, Iraq's potential of agricultural development is great, because any serious attention paid to improving this productivity will result in a very high production and income per cultivator.

The typical existing irrigation system in Iraq is based on cultivating half the area in winter, and one sixth or less in summer. By intensifying irrigation, it might be

³⁷With an average depth of ground water at 50cm, the yields were 163 kg/donum. With the level reduced to 156 cm. below the surface yields were 714 kg/donum. Experiment at Annanah 1956-57.

possible to double the yields, and the summer yields in particular. This would double the margin of cash crops, because it is the winter crop which provides subsistence in kind for the farmer.³⁸

TABLE 34
AGRICULTURAL PRODUCTIVITY OF DRAINED LANDS
(in 100 kg/donum)

	Wheat	Barley	Cotton
<u>Twarij Experiment</u>			
Before draining	unsuitable	3	unsuitable
After draining	6.8	8	5
Highest production after draining	8.9	13	-
<u>Dujaila Experiment</u>			
Average yields before draining	unsuitable	-	-
Average yields after draining	6.8	-	-

Source: Government of Iraq, Ministry of Agrarian Reform, Fellah and Agrarian Reform, No. VI (February, 1966), p. 6.

³⁸ M. G. Ionides, "Alternative of Irrigation Policy in Iraq," Middle East Forum (April, 1958), p. 16.

It was pointed out by different economists that if the existing cultivated lands were given the benefits of the newly provided water, full use would be made of the existing structure of administration, roads, bridges, communication, and ublic services of all kinds.³⁹ Salter, for instance, expressed that "It would seem to follow that agricultural development should from the beginning include the improvement of production from existing cultivation."⁴⁰

It follows that the main problem of agricultural development in Iraq is not the extension of the area but rather raising the productivity of the existing land. The new agrarian reform policy, by destroying the political power of the big landlords, may provide a possible scientific solution to this problem.

Intimately related to the foregoing is the use of fertilizers. Judging by the experiences of other advanced countries and taking account of conditions just analyzed, if farm production is to be increased, major reliance will have to be placed upon raising unit yield.

The present agricultural development policy in Iraq

³⁹K. M. Langley, The Industrialization of Iraq, pp. 122-23.

⁴⁰Lord Salter, op. cit., p. 53.

aimed at improving water conservation, extension of irrigated areas, and better use of water for irrigation--all at the same time, will produce results more slowly than if concentrated on the last. This is a field to which the government is devoting most attention, particularly since it can be largely effected through mass application of unemployed labor force. These efforts will undoubtedly have some effect on agricultural output within the next few years, especially irrigation and drainage which will achieve some increase in the output.

It may be interesting to note that in Japan average rice yields increased about 20 per cent in the decade between 1880 and 1890. Similarly, the combined unit yield of six major crops rose by about 50 per cent in the four decades between 1880 and 1920.⁴¹ The major part of this rise was due to the use of fertilizers.

Today, the use of commercial fertilizers or animal manure is very small or non-existent. Peasants are not aware of the potential for increasing production through the application of fertilizers. No commercial fertilizer is produced

⁴¹Bruce F. Johnston, "Agricultural Productivity and Economic Development in Japan," Journal of Political Economy, LIX (1951), pp. 498-513.

in Iraq. Under the Qassim regime, an economic agreement with the Soviet Union included the construction of an ammonium nitrate and ammonium sulfate plant for the Iraqi government in Basra. This plant, utilizing natural gas from oilfields, was to have an annual output of 60,000 metric tons of ammonia. It was expected to begin production by 1965. The present regime has recently projected the construction of another fertilizer plant.

In 1964, imports of fertilizer were estimated at about 8,750 metric tons.⁴² Since domestic fertilizer capacity is still very small, most of it has to be imported. Iraq will have to spend more of its foreign exchange on imports of fertilizers. By increasing the application of chemical fertilizers, Iraqi agricultural production could be increased by at least 30 or 40 per cent.

There is a real possibility that the agricultural productivity in Iraq could increase the food supply even without adding new land for cultivation. The low yield of agricultural land is a symbol of this backwardness. Compare the average yield of wheat, rice, the principal food in Iraq. In Japan, the only industrial Asiatic country, the average

⁴²U. S. Department of Agriculture, op. cit., p. 15.

yield in 1952 was 41.3 quintals (1 quintal = 100 kilograms) per hectare. India produced 11.8, Burma 15.4 (1951), Thailand 12.9, and Indonesia 15.8 as an average. Iraq produced 5.0 quintals per hectare (1952).⁴³

Solution of Agricultural Problem Complex

It should be emphasized that the provision of water supply, drainage system, agricultural machines, etc. will not increase farm productivity automatically, nor is it contingent merely on supplying certain amounts of effort and capital and the general application of modern techniques. It is a far more complicated task than that. Realization of the potential growth of Iraqi agriculture will require building a comprehensive organization for disseminating technical information, for providing seeds, fertilizers, pesticides, and other materials and services to the peasants, and other facilities, for financing the expenditures on improvements, organizing community works for the rural population, and marketing the products of agriculture. Agricultural development depends no less on the enthusiasm, civic consciousness, and discipline of the people, as well as on the ability of the administration to manage a large scale agricultural program.

⁴³W. Brand, op. cit., p. 26.

The government of Iraq is committed to a policy of fostering the development of agrarian cooperatives as the basic machinery for these tasks, with a comprehensive rural extension service supplying technical assistance. A preliminary work has been done during the last decade in creating the organization, which is now in the process of building staff and getting started. Now the organizational structure is to be extended over the entire agricultural sector. The present government is trying to create a massive rural cooperative system, numbering more than 800 societies by 1970.

Another essential is substantial progress in coping with the problem of waste resources resulting from progressive land fragmentation. In accepting an optimistic view of agricultural development during the next decade, we assume that land consolidation will be substantially accomplished within the period; though not very much may have happened in the way of actual pooling of land for cooperative or collective cultivation. The probability is, however, that there will be a gradual trend over the long run toward large-scale operating units, beginning with the pooled use of some large implements and livestock. Eventually this may pave the way for mechanization of farming, but that seems unlikely to get very far within the next decade, or until the value of human labor has

risen to perhaps several times what it now is in Iraq.

Agricultural development will call for continued investment outlay on a large scale, both private and public. Under the current five-year plan, the proposed level of public investment for agriculture, community development, agrarian cooperative, irrigation, and flood control averaged to about ID 24 million a year but expenditure has lagged far behind. It is difficult to estimate the order of private investment, but it would be very small. The level of outlay for agricultural development will certainly rise further as development proceeds. Although some programs such as irrigation, land reclamation, and flood control may now be nearing maximum levels, many other important programs have hardly got under way for the country as a whole. For example, the programs of agricultural extension and community development, still at their beginning, have so far reached only few villages. Experience to date has shown that a long period is required to overcome the strong initial resistance and factors of inertia. The rural development programs have not yet been in operation long enough to judge the range of potential improvement.

The perspective for agriculture in the long-run aside from the essentially negative probability that it will decline

relative to industry, is not clear. However, considering Iraq's agricultural resources, availability of capital, and the plan now in operation, it is technically possible that Iraq might double its total output within the next two decades, and substantially progress toward desirable modifications in its crop patterns. This rate of development will exceed the rapid population growth rate that will take place during this period, and it is unlikely to be limited by manpower availability. However, such rapid growth will not be automatic or easy. Major factors now limiting Iraq's agricultural development are obvious: The badly salted soil, the lack of enough water supply in the major part of the country, the lack of investment, aside from irrigation projects, the prevalent illiteracy and ignorance, and the lack of adequate organization for securing supplies, financing, and marketing. Intimately interrelated as they are, they cannot be overcome in isolation.

The crucial deficiencies are in capital, labor, management skills, and organization. These are the main factors accounting for the present extremely low levels of productivity in Iraq. The adoption of new techniques and the evolution of further improvements are amendable not only in capital goods such as machines and chemicals, but also

extensive outlays devoted to improving the quality of the human factor and the use of technology. As poverty, illiteracy, and disease breed mythology, so does the sway of tradition-bound past retard the development of human resources. Capital does not seem to be a limiting factor in this process, for the problem of investment seems to be one of inability to spend and administrative deficiencies. This is the case because up to the present time the administration nowhere has shown a capacity to spend the available revenue or to manage the proclaimed agrarian reform program.

CHAPTER VII

THE OUTLOOK FOR ECONOMIC DEVELOPMENT:

PROBLEMS AND TRENDS

The transition from stagnation to growth requires changing all the aspects of feudal society. This is an essential condition for the attainment of economic and social progress. This transition entails a number of problems: First, the task confronting the national government of Iraq today is the mobilization of the country's potential economic resources which represents the decisive step. Secondly, one task has to do with the allocation of economic resources in their best alternative uses. This implies a shift from the earlier policy of austerity and limitation of current consumption for the sake of the highest attainable rates of productive investment and growth, and to do so by the most productive technological methods. Thirdly, there is the problem of unemployment and underemployment. For Iraq, as we have seen, the existence of unemployed labor, while it presents a problem, affords also an opportunity for development

if only the means can be found for harnessing this labor reserve to productive employment. Fourthly, the small domestic market presents another problem. Without rising incomes in the economy as a whole, and in the rural sector, in particular, it will not be possible to provide wider markets for industrial products as well as agricultural ones. Finally, newly created problems lie partly in plans and policies and in the administration and planners, and partly in the great difficulties under which the planners work.

The Availability of Capital

Measures of economic planning cannot be separated from the problems of investment. The rate of investment usually expressed--as the ratio of current investment to total output; i.e. the proportion of resources devoted to adding to the existing stock of capital, equipment, plant, and building, and of working capital. In western countries the capital coefficient or capital-output ratio is calculated as having a value of 3 or 4. This means that \$3 or \$4-worth of productive capital will be needed to produce each \$1-worth of annual output. For some Asiatic countries in post-war years this ratio has been calculated as follows: Japan 4.7, Ceylon 2.6, India 2.3, Malaya 2.3. It was explained that "a better

use of already existing idle capacity may have been responsible for the low values found for Ceylon, India and Malaya."¹

The Iraqi planners calculated this capital-output ratio as having a value of 3.6. They also set a target rate of increase of income at 8 per cent per year for the plan period 1965-69. Further, population increase was estimated at 2 per cent per annum. Accordingly, this country will have to save and invest 7.2 per cent of its national income merely to keep pace with population increase and to prevent the standard of living from falling. To maintain a growth rate of 8 per cent and hence raise output per head by 6 per cent per annum, will require the investment annually of 28.8 per cent of its national income. A very high percentage, in terms of its magnitude and not in terms of its relation to the national income. In fact, the rate of total gross domestic investment was estimated to be 14.8 per cent of the GNP in 1950, 23 per cent in 1956, and 20 per cent in 1960.²

The government, under the present five-year plan, 1965-69, projected ID 640 million to be spent in a five-year

¹United Nations, Programming Techniques for Economic Development, Commission for Asia and the Far East (Bangkok, 1960), p. 11.

²A. Alnasrawi, op. cit., p. 124.

period which constituted about 22 per cent of the national income. The private sector was expected to make an investment of 6.8 per cent of the national income. Considering the government planned investment of 22 per cent of the national income, we may say that this requires an annual investment of ID 128 million compared with an average annual investment of about ID 37 million for the past two decades. The important question that must be raised is, what are the sources of financing this program?

There are three sources of accumulation: (1) profit from the public sector--the industrial sector, (2) taxing the peasants in one form or another might lead to some accumulation, and (3) various forms of levies attracting capital from the people, through taxes, state loans, etc.

These are the three main sources of accumulation which constitute the main foundation of industrial as well as agricultural development in Iraq.

The Public Sector

In Iraq, the major industrial enterprises, the banks, insurance companies, and commercial concerns, are owned and operated by the state. Further, oil revenues which constitute the main source of capital accumulation are received by

the state.

Since Iraq's petroleum industry is a vital factor in the economic development, its influence on the Iraqi development must be briefly discussed.

Oil is an exhaustible asset. Even if the exhaustion of oil for the world as a whole is not expected at any rate, as far as an individual country is concerned, the substantial and increasing production makes the danger far from minor. In view of this, the income gained from a wasting natural resource must be invested in development that will go on bringing in further income after oil has gone.

Iraqi crude oil production rose from 110,000 long tons per year in 1927 to about 60 million long tons in 1964, and oil royalties rose from ID 0.6 million in 1927 to ID 126 million in 1964.³

Greater Iraqi production is technically possible. Early in 1959, intensive exploration revealed that proven reserves amounted to about 3.5 billion long tons, or 14.4 per cent of the proved reserves of the Middle East, and it was believed that further reserves may yet be found.⁴

³ Government of Iraq, Statistical Abstract 1964, p. 261.

⁴ K. M. Langley, The Industrialization of Iraq, p. 263.

Higher production, therefore, will depend upon world demand and upon distribution facilities. It is true that new sources of energy might be discovered, or new sources of oil be found elsewhere. There is no reason, however, to believe that the demand for oil will decline. On the contrary, the world demand for oil now is increasing rapidly, and the largest proportion of the increase required will have to be supplied from the Middle East.⁵

Given the pattern of the world oil markets and the possibility of greater production in Iraq, the prospects for higher production will be affected by the political instability in the region and outside the region as well as the policy of the oil companies towards production.

In 1963, oil industry produced ID 281 million, or about 59 per cent of Iraq's national income. Of this, the government of Iraq received ID 110 million as royalties; the remainder was taken by oil producing companies. It should be recalled that the significance of this transfer can be fully appreciated only if it is considered not only in relation to national income but also as a share of capital formation. Yet, vast as it is, oil companies' operations in Iraq cannot

⁵"The Development of Oil in the Middle East," The Economist, June 5, 1965, p. 1163.

be considered as contributing to the economic development of Iraq, except in a financial sense. This is so because oil production is carried on by giant concerns that are highly organized and well-financed. In a thoroughly planned development these concerns moved in with trained and experienced managers, a whole corps of engineers, and all the technical devices. Local skills were not developed.

The total amount of capital invested in oil industry was large; the part of it spent in Iraq was small. The bulk of the expenditures involved took place abroad on the importation of foreign-made machinery and equipments. The stimulating effect on the economy as a whole resulting from such investment was slight.

Up to 1952, Iraq was confined to meager royalty payments on crude, with neither a share in the profits nor in the capital and labor returns of refining. None of Iraq's petroleum production was refined at home for export. It was piped to refineries in Lebanon, Syria, and Palestine, while domestic demand was met by a small plant at Alwand refinery or by imports from Abadan (Iran). In 1951 Iraq bought the Alwand refinery and the Rafidain marketing facilities and began the ID 10 million refinery at Doura, a suburb of Baghdad, supplied by pipe line from Kirkuk.

Furthermore, when IPC-Iraq Petroleum Company was organized, it monopolized the oil production in Iraq and eliminated any chances of another enterprise operating in that field. The concession made to IPC and its allied companies covered the whole country, except a small territory Iraq could claim as its own in the Naft Khanah area, which produced only 200,000 tons a year.

In 1961, the government took away from IPC and its associates all unexploited concession (99 per cent of the original concession areas), and its decision to form a national oil company to exploit the seized areas was made. This decision led to a complete breakdown in the IPC-government negotiations, which had been stalled for nearly three years by IPC's rejection of every government demand and by an IPC slow-down in production which held royalties to the 1961 level.⁶

Thus the IPC attained exclusive control over the market and fenced itself in by government concession, blocking further industrial growth while its monopolistic price and output policies minimized the expansion of its own enterprise. Since IPC integrated with marketing companies, the amount of

⁶In 1963, the government announced discovery of huge oil reserves, estimated at 3.5 billion tons, in the seized areas. T. Petran, op. cit., p. 31.

its profits can be manipulated so as to keep royalty payments to a minimum.⁷ M. Hadid, a minister of Finance, charged early in 1958 that the 50-50 deal in Iraq allowed IPC to make 50 per cent return on its capital cash each year. Various accounting practices in effect reduced Iraq's share to 35 per cent.⁸

One of Iraq's most important endeavors is to enter the world oil market which is blocked by eight major international oil companies. Penrose emphasized that "inability to sell oil is the enduring difficulty; this makes even the most reasonable and reflective Arab passionately believe that the companies are exploiting their country in an oppressive sense."⁹ Further, Penrose added, "the company did in fact exploit the country because it received a higher return than the minimum it would have been willing to receive and stay in business." Penrose concluded that "whether the oil companies are giving up all they could give up without making

⁷R. F. Mikesell and H. B. Chenery, Arabian Oil (Chapel Hill, North Carolina, 1949), p. 39.

⁸H. O'Connor, World Crisis in Oil (New York: Monthly Review Press, 1962), p. 313.

⁹Edith T. Penrose, "Profit Sharing between Producing Countries and Oil Companies in the Middle East," Economic Journal (June, 1959), p. 247.

the (oil) operations unprofitable can not be decided; it seems improbable."¹⁰ Nor had the oil companies provided price data concerning their actual sales of oil. "Without quite conveying a flat 'No' they have made it known to the governments . . . that they are not prepared to provide the price data that had been requested; indeed, they have not promised to provide any price details at all."¹¹

Inasmuch as IPC provided neither a market for agricultural produce nor outlets for agricultural surplus labor, and was not supplying agriculture with cheap manufactured consumer goods and implements, agriculture was forced back towards self-sufficiency and the idleness of the structurally unemployed was perpetuated. In 1963, IPC employed about 11,000 Iraqis who received about ID 7.45 million.¹² Determined by Iraqi labor's low rate of pay, and reflecting a high degree of mechanization with a correspondingly small size of labor force employed, the part of the IPC's total revenue that is absorbed by wages is generally small. Thus in Iraq,

¹⁰ Ibid., pp. 251-52.

¹¹ "Middle East Oil: A Special Survey," The Economist, June 5, 1965, p. 1156.

¹² Government of Iraq, Statistical Abstract 1964, p. 259.

oil accounts for over 95 per cent of all exports and about 59 per cent of the total national income, while the oil industry employs less than .3 per cent of Iraq's labor force, and its local currency expenditure (exclusive of government payments) does not constitute any sizable amount in comparison with the value of exports.¹³

The small part of the total revenue secured through oil production did not serve to widen Iraq's internal market, because: (1) Some of the labor involved consisted of foreigners who fill managerial and semi-managerial positions and whose pay is high. Although they enjoy a high standard of living, they are in a position to save a greater part of their income which is usually sent abroad. (2) A large portion of their spending is directed towards goods that are supplied from abroad.¹⁴

In the case of Iraqi labor, the situation is different. Since most of them are unskilled, they earn wages which are far lower than those of foreigners. These wages allow for a somewhat better standard of living, but they do not leave room for saving. Further, the Iraqi workers are

¹³G. Lanczowski, Oil and State in the Middle East (New York: Cornell University Press, 1960), pp. 211-212.

¹⁴Ibid., p. 212.

attracted by the "demonstration effect" which renders foreign-made goods far superior. Yet a certain part of their purchases are supplied by the company.

Nor does the welfare program, in which the IPC engages and which receives much publicity make a significant contribution to the improvement of the living conditions of the people in the areas of the company's operation. It is said that the IPC has provided relatively better housing for its employees, has run some kind of thrift plan or savings scheme and the like.¹⁵ Yet as far as the welfare of the Iraqi people is concerned, the importance of this type of IPC spending tends to be exaggerated. For one thing, it is simply an aspect of the policy indispensable in order to secure necessary labor force and to increase its efficiency.

It is not enough for the company simply to train workers and to pay good wages. . . . the workers must be sociologically conditioned to a different mode of living if they are not to be spoiled in the process. It is also a fact that one of the most important contributions to productivity which flows from a higher standard of living lies in the improved health that is provided by the physical conditions of healthful living for themselves and their families.¹⁶

¹⁵"Oil and Social Change in the Middle East," The Economist, July 2, 1955, p. 11.

¹⁶R. F. Mikesell and H. B. Chenery, op. cit., pp. 81 ff.

In any case, the number of people benefiting from these facilities constitutes a tiny proportion of the country's total population. The IPC, with its long start in production, provided only 875 Iraqi families with housing.¹⁷ This, indeed, is a small number for a country inhabited by over 7.5 million people from whom IPC has derived billions of dinars of profits!

It was not until the beginning of the 1950's that the government of Iraq was able to receive a significant portion of revenue resulting from oil production. Although the actual revenue from oil companies does not correspond to the proportion of their revenues due to the Iraqi government under the new prevailing terms of the concession, the amount currently received by the Iraqi government is large. The transfer of revenue to the Iraqi government might be considered as an indirect contribution to the development of Iraq.

However, the contribution of this revenue can be judged by the way in which it was used. Fifty per cent of oil royalties was devoted to the ordinary budget (current expenditures). The other 50 per cent was directed towards

¹⁷G. Lanozowski, op. cit., p. 303.

unproductive investment (with minor exception).

By a simple calculation one can get a rough notion of the opportunities lost. Assume that the \$2.956 billion received by Iraq in the last two decades, 1950-1964, had been invested in productive projects at a capital-output ratio, say, 3:1, that is, similar to what it is in the United States.¹⁸ According to this assumption, the current income of the Iraqi people would be higher than it is today by \$1 billion per year, or by about 50 per cent. Furthermore, if the annual oil revenues had been productively invested as they came in, the aggregate income increase for the two decades would have reached about \$3 billion. This does not take into account the entire income increase that would have resulted from other investment stimulated in turn by the

¹⁸ While on one hand, in the earlier stages of development there is a possibility that the capital-output ratio may be high due to the inadequacy of the labor force and the rapid wear and tear of machinery resulting therefrom, on the other hand, there are other factors that tend to lower the ratio in underdeveloped countries by comparison with the advanced ones. First, underdeveloped countries have the advantage of being able to introduce right away most advanced and productive equipment without having to carry along old machines and equipment with the attendant low productivity. Secondly, under conditions of planning, Iraq can make use of such available capital goods to the full capacity in contrast to the idle capacity which exists in advanced countries. See V. V. Bhatt, "Capital-Output Ratios of Certain Industries: A Comparative Study of Certain Countries," Review of Economics and Statistics (August, 1954), pp. 309 ff.

investment of the oil receipts. Nor does it involve any assumption of what might have happened if the oil resources were exploited for the country's benefit rather than for the benefit of oil companies.

The oil sowing policy has been painfully slow in bearing fruits. Only the fringes of the country's economic resources have been touched. What is spent on economic development is considerably less than what is at its disposal, and the purposes of such spending are not determined by the best interests of the Iraqi people. "The oil revenues sink into a bottomless pit of a corrupt administration controlled by absentee landlords which by . . . applying its oil royalties to the ordinary budget . . . has been able to curtail the taxes on the capitalist class, and at the same time to enlarge its administrative apparatus."¹⁹

The Board used its resources almost wholly in long-range dam and irrigation projects which, while essential to economic development, affected hardly at all the immediate plight of the masses. Aside from this, the bulk of expenditures were absorbed by construction of roads, buildings, etc.

¹⁹Henry A. Atkinson and associates, Security and the Middle East, the Problem and its Solution, Proposals Submitted to the President of the United States (New York, 1954), p. 72.

but contributed little to the emergence of a balanced national economy.²⁰ The government confined its outlays to providing sources of "external economies" to free enterprises. But since Iraq is still going through the mercantile phase of capitalism, and since for all the reasons that we have encountered earlier there is little inducement for industrial investment on the part of domestic capitalists, such investment as is facilitated by the expenditures on external economies, it expands but little the country's market and does not lead to the emergence of basic industries--indispensable to rapid and lasting economic growth. It is true that these expenditures on buildings, roads, and small factories, such as textiles, reflect in themselves an improvement in the country's economic condition. Yet an improvement attained in this way not only does not tend to generate a momentum of its own, but it cannot even be counted on to survive its original stimulus: the government spending of the oil revenue. "Most of the actual spending was on projects which, on the one hand,

²⁰ Under the Detailed Economic Plan, 1961-65, for example, 25% of gross total investment was allocated for housing and buildings (ID 140.1 million), of which ID 40 million was allocated to the Ministry of Defence, ID 10 million to army officers' housing, ID 8 million for sewage in Baghdad alone, and only ID 14 million for popular housing. A. Alnasrawi, op. cit., p. 62.

provided neither permanent nor sizable employment, and, on the other hand, did not show tangible results in raising the living standard."²¹

Before leaving this topic, a point should be made with regard to the other branch of the public sector, that is, the industrial sector. Iraqi industrial sector is still weak and at its first stage of development. Hence its contribution to capital accumulation is very slight. In 1963, public enterprises provided a total revenue equal to ID 120.3 million at an operating cost of ID 105.1 million. Since the operating cost does not include depreciation there is no way to find out the exact profitability of these enterprises.

Under the present five-year plan, 1965-69, the public sector--excluding oil extraction--was expected to contribute to total investment of the plan an amount equal to ID 12 million, or about 2 per cent of total planned investment for the five-year period.²²

Taxing the Peasants

With regard to the whole problem under consideration, it is important to study the impact of agrarian reform program

²¹Ibid., p. 58.

²²Government of Iraq, Law No. 87 for 1965.

on capital accumulation.

Before 1958, there was one tax imposed on agricultural produce--istihlak. It was a tax on farm products brought to the market for sale and was believed to be shifted to the consumer through its influence on prices. The receipts from this tax were very small and declined for several reasons. Among these were the administrative difficulties of taxing agricultural incomes. Only a small portion of istihlak tax was eventually collected in any one year, and the collection costs were very high. There was no land tax or income tax applied to the agricultural sector. Up to 1958, there were little improvements in respect to tax evasion and irregularity in tax collection. For instance, in 1954, of the land tax due of ID 1,137,000, only ID 264,000 was eventually collected.

In 1961, the istihlak was replaced by an agricultural land tax.²³ This tax is levied at a rate ranging from 5 to 15 per cent depending on the method of irrigation. The tax is levied on the average yield of certain products of the area unit (donum).

²³Ministry of Finance, The Republic of Iraq's Budget in its Third Year (Baghdad: The Government Press, 1961), pp. 15.

According to this law, all beneficiaries from the agrarian reform are to be exempted from the tax. The government intended to deliver this responsibility to the agrarian cooperatives which were supposed to absorb the tax and other levies.²⁴ Further, the law exempted a number of agricultural products from the tax. These products were considered as necessary for the development of the Iraqi economy and some of them were necessary for the consumption of the populace. Also, certain products were exempted from the tax in order to encourage their exports.²⁵ Among these products are fruits, cotton, vegetables, sugar beets, grains, and other similar products.

Thus, according to the first exemption, about 210,562 peasants, or about 48 per cent of the total agricultural holdings escaped tax payments. The second category of exemption excluded about 95.8 per cent of the total value of agricultural produce, excluding livestock, for the year 1961.²⁶

In 1962/63 and 1963/64, total agricultural land tax amounted to ID 711,323 and ID 681,924, respectively. In

²⁴Ibid., pp. 15-16.

²⁵A. Alnasrawi, op. cit., p. 136.

²⁶Ibid., p. 136.

other words, land tax has contributed to the total government revenue only .6 per cent for the year 1962/63 and .5 per cent for the year 1963/64.²⁷

Yet it is precisely here, where the mobilization of potential economic surplus is more complicated. With the prevailing low agricultural productivity, and as a consequence low per capita income for the peasant, the most probable result is that the peasant will save nothing and any increase in his income resulting from land distribution will be scattered and consumed.

Professor Raup argues that under agrarian reform, which is aimed at the creation of a system of privately owned and operated peasant farms, any attempt to finance the industrial sector out of agriculture is to invite the failure of both policies.²⁸ It is argued that investment in agriculture by small peasants may easily lead to uneconomic duplication of equipment and draft power. The foregone conclusion is that measures of state control of the process of capital investment in agriculture is necessary if capital is to be efficiently used.

²⁷Government of Iraq, Statistical Abstract 1964, p. 226.

²⁸P. M. Raup, op. cit., p. 262.

One method which was used by certain countries is that of obligatory deliveries. The long run effects of this method are reduced by the weakening of incentives for the intensive agricultural production.²⁹ For in that case, the supply curve of agricultural produce is believed to be inelastic in relation to prices. The effect of increasing the income of the peasants may lead to increases in their demand for manufactured goods such as textiles and household goods.

It is often suggested that the most practical way to tax income arising in agriculture is to develop a form of personal tax or "simple" income tax.³⁰ This device is all but useless in the framework of a poor peasant economy. Neither the assessment of income accruing to nor the collection of the tax from the now multiplied number of subsistence farmers is a manageable task. The fiscal authorities run into strong opposition on the part of the peasants just freed from the tax and rent burdens of the pre-reform days.³¹ More

²⁹See R. Goode, "Taxation of Agriculture," Leading Issues in Development Economics, ed. Gerald M. Meier (New York: Oxford University Press, 1964), p. 128.

³⁰Walter W. Heller, "The Government as Saver," in Meier, op. cit., p. 117.

³¹A vast peasant movement in 1961/62, for instance, won peasant exemption from the land tax and some enforcement of the law on the division of the crop. I. Petran, op. cit., p. 37.

important is that the very nature of a subsistence agriculture renders the payment of the tax impossible. Since the Iraqi agriculture consists of a wide variety of agricultural products and markets a minimum amount of its produce, it leaves the subsistence peasant with insignificant money receipts. The traditional method of taxation, that is, the collection of taxes in kind, however, is an administratively hopeless undertaking.

Not much more promising is the establishment of a state agricultural marketing board which pays the producers less than the international prices received by the board and uses the resulting gain for nonagricultural purposes.³² The so-called "opening the scissors," i.e., a shift in relative prices in favor of publically-owned industry, is defeated by the fact that the subsistence farmer would exchange a minimum amount of his produce for manufactured goods. The richer farmers, on the other hand, who accumulate some surpluses, tend to increase their consumption or to use their surpluses for the purchase of livestock or other assets from other peasants rather than to trade with the government on terms

³²See J. Price Gittinger, Planning for Agricultural Development: The Iranian Experience (Washington: National Planning Association, 1965), p. 92.

below what they consider to be the "parity" ratio.

Finally, a price policy favoring agriculture would not solve the problem. This strategy may not be sufficient to attract a larger flow of agricultural products on to the city, since the peasant may be content to take advantage of improved terms of trade in getting industrial products for the same total quantity of agricultural exports as formerly. And because industrial products are scarce, owing to the poor development of Iraqi industry and restricted import-possibilities, even such a price policy may be precluded.

Some economists have argued that the Japanese experience, where suitable devised tax policy was undertaken, and where the government succeeded in raising the marketed surplus both relatively and absolutely, might be followed by the present backward countries in order to solve their development problems.³³ This policy, however, needs an efficient administrative system capable of mobilizing this surplus. Further, Japan was able to capture this surplus after it succeeded in raising agricultural productivity significantly. Between 1882 and 1913, the agricultural productivity in Japan was increased

³³W. H. Nicholls, "The Place of Agriculture in Economic Development," Agriculture and Economic Development, C. Eicher and L. Witt (eds.) (New York: McGraw-Hill Press, 1964), pp. 40-44.

by about 80 per cent. Moreover, in Japan, the rapid expansion of agricultural output was accompanied by speedy industrialization.³⁴ These conditions are lacking in Iraq today. The importance of this problem obviously differs from country to country, depending on the economic and social structure.

Generally speaking, one might conclude that in conditions that prevail in Iraq, where the oil sector is dominant in the national economy, the smaller or larger agricultural surpluses are of secondary importance from the viewpoint of the general investment process. In such conditions, the internal accumulation of rapidly developing oil industry, agriculture should be gradually developed and aided by industrial development.

Mobilization of Internal Resources

Between 1949 and April, 1956, public expenditures rose ID 59.3 million, at an annual rate of 19.9 per cent, while by the end of 1955, imports had increased ID 60.7 million, an annual increase of 20.2 per cent.³⁵ Up to 1964,

³⁴K. Ohkawa and H. Rosovsky, "The Role of Agriculture in Modern Japanese Economic Development," Economic Development and Cultural Change, X (October, 1960).

³⁵K. M. Langley, The Industrialization of Iraq, p. 178.

while exports were declining, imports have continued to rise at a rapid rate. Imports of consumer goods for the year 1962 constituted over 82 per cent of Iraq's imports. And even the imports of those consumer goods which can be produced domestically were rising at a rapid rate, such as cotton textiles, clothing, paper and the like. This means that investment policy still encourages the consumption pattern which through the "demonstration effect," permits a pattern of imports with a bias towards durable consumer goods and luxuries, such as T.V. sets, cars, and household equipment. In 1964, Iraq's oil revenue amounted to ID 126.1 million, while Iraq's imports were about ID 147 million, and exports constituted an insignificant portion of Iraq's national income. While oil exports constituted 95 per cent of Iraq's total exports, non-oil exports were only 5 per cent (ID 15 million). This is evidence that the oil industry and its operations in Iraq do not constitute an integral part of the economy. It makes Iraq completely dependent on foreign trade with the absence of diversification in the export trade. The gap between imports and exports is narrowed by oil royalties which reduced this deficit to about ID 6 million. Table 35 shows the relation between oil revenue, development expenditures, and imports.

TABLE 35

VALUE ADDED BY THE OIL SECTOR, DEVELOPMENT EXPENDITURES,
AND IMPORTS, 1950-64
(millions of Iraqi dinars)

Year	Value Added by Oil Sector	Non-Oil Exports	Imports	Development Expenditures
1950	12.3	20.0	29.2	-
1951	25.1	27.0	42.2	3.1
1952	48.7	18.8	47.4	7.8
1953	64.9	19.1	55.5	12.3
1954	73.8	18.0	68.4	20.9
1955	81.1	15.9	90.9	34.0
1956	77.7	13.2	107.2	43.0
1957	67.2	12.9	111.8	57.4
1958	87.7	14.0	99.8	52.2
1959	95.4	11.5	99.4	49.9
1960	104.1	8.0	124.9	45.5
1961	104.4	7.9	133.5	61.2
1962	105.2	19.0	127.7	58.5
1963	120.2	16.7	112.5	53.5
1964	136.3	15.3	146.7	51.8

Source: Abbas Alnasrawi, Financing Economic Development in Iraq (New York: Frederick A. Praeger, Publishers, 1967), p. 85; Government of Iraq, Statistical Abstract 1964, op. cit., p. 266.

In 1963, the national income of Iraq amounted to ID 515.4 million, of which the agricultural sector contributed ID 106.5 million. The share of wages and salaries (non-agricultural sector), in the national income was ID 163.2 million, while the share of rent, interest, and profits

amounted to ID 244.8 million.³⁶

How far was the fiscal system applied to mobilize these resources and accumulate capital for investment? In 1963, total development expenditures amounted to ID 53.5 million (Table 35). In the same year the current expenditures of the government were ID 149 million. These current expenditures were met as follows: 50 per cent of oil revenue, or ID 55 million, was devoted to the ordinary budget; non-oil revenue covered ID 69.5 million, and there was a deficit of ID 25 million which was met by external loans.

In recent years the significance of taxes relative to the national income was declining. Both the total non-oil revenue and the tax revenue have declined in importance in relation to the national income. Total non-oil revenue as a percentage of national income declined from 26.2 in 1950 to 19.1 in 1964, while tax revenue as a percentage of national income was 14.9 in 1950 and 13.7 in 1964. In comparison with other countries, the share of government revenue in national income in Iraq is low. It is more than 20 per cent of the G.N.P. in Ceylon, Italy, Egypt, Burma, France, the U.S.A. and over 30 per cent in the United Kingdom, Sweden, and New

³⁶K. Haseeb, "National Income of Iraq 1962-1963," op. cit., p. 23.

Zealand.³⁷

In attempting to achieve a balance between current revenue and current expenditure, the government reduced the share of development expenditures from 100 per cent of the oil revenue in 1950 to 50 per cent in 1960. If this policy continues, one might expect a further reduction in the rate of capital expenditure.

Table 36 summarizes the fiscal system in Iraq. It is apparent that nowhere did current revenue keep pace with current expenditure, and it was only possible for the government to increase its current expenditure when oil revenue started to grow rapidly. The role of foreign trade was predominant and there was no minimum effort to mobilize internal resources. Government revenue is composed of oil royalties and imports duties which constituted about two-thirds of total revenue in 1964. More than that, development expenditures, which have a separate budget, are met by oil revenue. What all these factors mean is that the Iraqi economy became completely dependent on foreign factors, that is, oil revenue and import duties, and no attention was paid to the country's future in case an interruption of oil flow for international

³⁷A. Alnasrawi, op. cit., p. 125.

trade would cause this nation to suffer from the lack of commodities and the means for financing the economic development of the country.³⁸ Iraq is becoming more and more dependent on a single extractive industry, more and more sensitive to events abroad.

Although progressive income taxes appear on the books, they exist for the most part largely on paper. Despite the highly developed tax evasion, the tax rates are very low. In 1961 the per capita income was ID 57.2 but a married person with three children was exempted from paying any income tax up to ID 750, an income which is more than thirteen times the per capita income. Compared with other countries, this exemption is very high. This ratio was 1.9 in Mexico, 0.7 in Australia, and 1.3 in the United States. More, an income between ID 1,000 and ID 1,500 or 17.5 to 26.3 times the per capita national income in Iraq was taxed at 5 per cent; the same ratio of income to the per capita income would be taxed at 16

³⁸ An example of this interruption is that during the Suez crisis, 1956, the pumping stations in Syria were blown up. In addition to this damage of the pipelines, the blockage of the Suez Canal--1956--oil exports dropped drastically. Again, at the time of writing these pages, the government of Syria claimed the seizure of Iraqi pipelines and pumping stations in Syria which led to the cutoff of oil flow. The present Middle East crisis which started June 5, 1967, and is still without solution seemed to have serious consequences on oil revenues.

per cent in Argentina, 43 per cent in Australia, and 44 per cent in the United Kingdom.³⁹ These high exemption and low income tax rates are accompanied by an administrative difficulty in collection and a significant tax evasion, which caused the tax revenues to fluctuate widely from one year to another. In the final analysis, however, it is not a problem in tax administration. It is determined by the structure of the Iraqi society and by the class character of its government. As Mason observes, "the elimination of tax avoidance on the part of some very large income receivers may require changes that run considerably beyond the improvement in administration."⁴⁰

Little needs to be said at this juncture about foreign borrowing. Experience with development in Iraq, following the establishment of the Republic of Iraq, that is, since 1958, showed that Iraq had to borrow capital from foreign countries and International Agencies in order to meet the requirements of the new regime. In 1959, for instance, an Iraqi-Soviet economic agreement provided both for a Soviet loan of ID 117 million and for technical assistance for an

³⁹A. Alnasrawi, op. cit., pp. 127-128.

⁴⁰E. Mason, Promoting Economic Development (Claremont, California, 1955), p. 60.

TABLE 36

NON-OIL REVENUE, TAX REVENUE, AND CURRENT EXPENDITURES, 1950-1964
(millions of Iraqi dinars)

Year	<u>Non-Oil Revenue</u>		Expenditures	Tax Revenue as % of Ex- penditures	<u>Direct Taxes^a</u>		<u>Indirect Taxes</u>	
	Total	Tax Revenue			Total	Personal Income Tax	Total	Import Duties
1950	38.2	21.8	29.2	74.7	3.4	1.0	18.3	9.0
1951	30.9	23.6	30.8	76.6	3.3	1.1	20.3	10.1
1952	41.0	21.7	44.5	48.8	2.6	1.0	19.4	11.0
1953	32.7	25.8	50.1	51.5	3.4	.8	22.4	14.5
1954	33.4	28.9	53.8	53.7	3.6	.9	25.3	16.3
1955	50.0	31.9	55.3	57.7	3.8	2.1	28.2	19.4
1956	42.1	32.6	70.3	46.4	4.3	1.3	28.3	19.1
1957	47.2	37.0	73.9	50.1	4.7	1.2	32.2	20.8
1958	49.6	36.2	79.2	45.7	5.7	1.4	30.5	18.8
1959	46.4	35.5	100.2	35.4	6.2	1.8	29.4	19.4
1960	54.1	41.6	114.3	36.4	7.0	2.6	36.6	24.1
1961	62.6	47.1	119.2	39.5	8.4	2.6	38.1	23.9
1962	65.2	47.9	128.4	37.3	11.6	3.0	36.2	22.9
1963	69.5	47.3	149.0	31.7	12.7	3.5	34.6	21.5
1964	78.3	56.0	141.6	39.5	14.9	3.6	41.1	25.5

^aDirect Taxes and Indirect Taxes are part of the Tax Revenue shown in the second column.

Source: Abbas Alnasrawi, Financing Economic Development in Iraq (New York: Frederick A. Praeger, Publishers, 1967), Tables 22 and 23, pp. 166-167.

industrial program. In 1963, an ID 90 million interest-free loan was made available by Kuwait, a Swedish loan of ID 15 million was granted for Swedish capital equipment, the Federal Republic of Germany has loaned ID 13 million, and loans have been granted by the Export-Import Bank.⁴¹ In 1966, the World Bank approved an ID 8.2 million loan to Iraq.⁴² Table 37 shows Iraq's foreign loans.

As a backward country, Iraq needs everything: water control, clean water for drinking, better farming, sewage, drainage systems, educational facilities, health services, road construction, development of industry, and so on. Therefore, one might argue that the emergence of the new regime would call for greater investment expenditures, and as a consequence, oil royalties are not sufficient to meet the new requirements. It is equally true that one might say that the increase in the new expenditures was not used for the above mentioned purposes. Official data do not show a significant increase in development expenditures, but there was an increase in the current expenditures.

⁴¹U. S. Department of Agriculture, op. cit., p. 69.

⁴²IBRD, Press Release, Washington, D. C., July 8, 1966.

TABLE 37

IRAQI GOVERNMENT DEBT, 1960-66
(millions of Iraqi dinars)

	1960	1961	1962	1963	1964	1965	1966	Total
Oil Companies	4.5	.4	--	--	--	--	--	4.9
Kuwait Loan	--	--	--	30.0	30.0	30.0	--	90.0
Soviet Loan	1.6	6.7	16.5	25.0	32.5	34.7	--	117.0
Agricultural Surplus Agreement (P.L. 480)	--	--	--	1.6	4.2	3.9	--	9.7
Export-Import Bank Loans	--	--	--	--	.9	2.4	--	3.3
Swedish Loan	--	--	--	15.0	--	--	--	15.0
F. R. of Germany	--	--	--	13.0	--	--	--	13.0
IBRD Loan	--	--	--	--	--	--	8.2	8.2
Grand Total	6.1	7.1	16.5	84.6	67.6	71.0	8.2	261.1

Sources: U. S. Department of Agriculture, The Agricultural Economy of Iraq (Washington, D. C., Economic Research Service, 1965), p. 69; IBRD, Press Release, Washington, D. C., July 8, 1966; Central Bank of Iraq, Quarterly Bulletin.

Between 1960 and 1965, actual development expenditures amounted to ID 270.5 million which were almost equal to the above funds borrowed from abroad (ID 261.1 million), while in the same period, Iraq received ID 710 million as oil royalties. Accordingly, one can hardly justify the need for such foreign borrowing, the impact of which would only be to enable the government to increase its unproductive expenditures lavishly and to increase its imports rapidly without any countervailing increase in exports.

We have thus far surveyed the forces impeding capital formation and productive investment in both the rural and the urban sectors of the Iraqi economy. One can conclude that: with any moderate calculation, there can be hardly any doubt that 25 per cent and even 30 per cent of national income could be invested without any reduction of mass consumption. What is required for this purpose is the fullest attainable mobilization of the potential capital that is currently generated by the country's economic system. If the government clings to a system of financing development projects out of oil revenue, the latter, if efficiently administered, will generate a sizable amount of capital which could finance both agriculture and industry without tears. In fact, an investment of ID 100 million a year, and even more, financed by

oil royalties would constitute above 25 per cent of Iraq's national income which is considerably high. Meanwhile the government should turn to internal sources besides the oil sector to generate the required funds to meet its current expenditures. Tax reform, therefore, is inevitable if a rapid and sustained economic growth is to be achieved.

It is needless to stress that such a mobilization of the potential surplus would not operate in a vacuum. It is bound to meet with formidable difficulties, the most important of which is the prevailing political condition in the Middle East. The emergence of a national government, the creation of Israel, the atmosphere of a danger which was created and re-created in order to slow down Iraq's growth rate, military assistance from abroad, and the tension within the country compelled the government to devote considerable portions of the national income to the building up and maintenance of large military establishments. The defence expenditure increased from 33.2 per cent of government expenditures in 1950 to 40.1 per cent (ID 9.7 million to ID 56.8 million) in 1964.⁴³ Put in other terms, the percentage of national income devoted to military outlays by the country shows an increase

⁴³ Government of Iraq, Statistical Abstract 1964, p. 224.

from 6.6 per cent to 13.9 per cent respectively. It should be recalled that the significance of this burden can only be fully appreciated if it is considered not in relation to total national income but as a share of capital accumulation available for investment. Indeed, one year's military expenditure, 1964, is equal to or exceeds Iraq's total investment in 1951-55 inclusive. The inescapable necessity for the maintenance of military establishments would force the country to use a larger share of what would enable it to emerge from its present state of backwardness.

The Problem of Unemployment

In Iraq, unused labor force and low level of national income as well as a correspondingly small volume of capital accumulation, raises a conflict between the structure of investment leading to maximum growth of the output and that which is conducive to a rapid growth of employment. Since the Iraqi agricultural worker has on the average an effective employment of about 50 per cent, the agrarian reform policy should be aimed at creating employment opportunities in both agriculture and industry to absorb those unemployed.

Statistics released by the government of Iraq indicated that the private industrial firms employed 73,116

persons with an annual wage bill of ID 20 million while the public concerns employed 44,332 persons at an annual wage cost of ID 12 million, in the first quarter of 1966.⁴⁴ Accordingly, Iraq's industrial sector employed only 117,448 workers.

According to Iraq's Five-Year Plan, 1965-69, the creation of about 261,483 jobs during the plan's period was projected, of which 144,465 jobs were planned to be created in the agricultural sector and 40,792 in the industrial sector.⁴⁵ The planners recognize that the present gross investment will not be sufficient to absorb all the present idle manpower in Iraq. This total employment of 261,483 was expected to be realized by applying intensive methods of production (intensive use of capital). This is due to the nature of projects to be undertaken according to this plan, which are mainly capital intensive projects.

Migration from agriculture and the rapid development of industry are general economic truths. The process of population shifts from sectors of low productivity to those of higher labor productivity leads to an increase in the social

⁴⁴Middle East Economic Digest (London), September 23, 1966.

⁴⁵Government of Iraq, Law No. 87 for 1965.

productivity, that is, a rise in national income. The present industrial labor force is small, and there is a considerable disparity between Iraq's agricultural and industrial productivity. At this point one might say that a rapid economic growth seems to require an increased industrial employment as rapidly as possible.⁴⁶

The transfer of labor from agriculture to the capitalist sectors of the economy, however, is a sound economic policy, if this can contribute to economic growth by powering labor inputs in basic investment (e.g., in communication and power spheres) which raise the productivity of labor in both agriculture and industry, and at the same time, increase the productivity of the additional workers. The building of railways, surface roads, and electric power installations seem to make possible the mobilization of a considerable portion of labor force, enabling the achievement of a basic turning point in labor productivity in the whole national economy.⁴⁷

⁴⁶K. M. Langley, The Industrialization of Iraq, pp. 225-6.

⁴⁷The remark of W. Rostow: "The development of a cotton-textile industry sufficient to meet domestic requirements has not generally improved a sufficient impulse in itself to launch a self-sustaining growth process." Railway building in the past, he thinks, was far more important. His search for an explanation is in terms of the effect on demand

Moreover, migrant labor may enable in the long run the expansion of the industrial growth and the fundamental technical reconstruction of the whole economy, assuming the amount of machinery and equipment made available.

At present, the slow growth of the industrial sector makes it unnecessary to encourage rural migration on large scale. The planner's problem is more likely to be that of finding suitable employment for the already urban unemployed and the spontaneous increase in urban population rather than in finding means of encouraging labor migration. In addition, most migrants, who were freed for outside agriculture not through increases in productivity per man-hour or through productivity increases per acre; rather, they were induced by the pull factor, are not prepared for factory work. Ignorant, illiterate peasants are worse prepared for work in factories with complicated techniques. It also will bring about a certain disproportion in housing construction. The housing shortage, long trips to work, etc., may make it difficult to raise the qualifications of additional workers and may lower labor productivity.

occasioned by the growth of some "leading sector." "The Take-Off into Self-Sustained Growth," Economic Journal, LXVI (March, 1956), p. 44.

Accordingly, current planning policy should pay attention to considerations such as those which lead to higher agricultural productivity achieved largely by devices other than labor-saving techniques. In Iraq, the under-employment of manpower in agriculture can be matched by underutilization of arable land. In certain cases the choice of creating new jobs is to increase the intensity of agriculture. This may raise the demand for agricultural labor, and may at the same time relieve the problem of underemployment. It will thus dispose of the problem of a superfluous agricultural population over a long period. Preferred investments which enable a quantitative rise in breeding and an increase in the cultivated area may play an important role here. This type of investment is of particular importance for Iraq, where irrigation can effect a revolution in the manner of cultivation, and may cause an increased demand for agricultural labor force (e.g., irrigation makes possible changing over from barley to rice cultivation and to extend summer cultivation). Under such circumstances, aggregate agricultural output can be at any rate in the early stages, rapidly increased by taking into cultivation previously uncultivated areas, although even in such cases major difficulties are caused by lack of agricultural implements, fertilizers, and livestock.

Agriculture becomes subsidized by industry. This is exactly as it should be, except that these subsidies do not lead to an adequate expansion of agricultural output.⁴⁸ In the long run this problem can be solved through a considerably higher stage of economic development, namely, through industrialization.

Some Problems of Investment

It is interesting at this point to see whether Iraq would use capital- or labor-intensive methods of production in its development policy. In other words, should development policy aim at maximizing total production or total employment?

The Iraqi planners emphasized that future development policy should pay attention to considerations that would lead to maximized employment by the application of intermediate technology that employs relatively small amounts of capital and relatively more of labor.⁴⁹

The question of whether to use labor- or capital-intensive techniques is very frequently treated as a foregone

⁴⁸The combined expenditure of the Directorate General of Irrigation for the years 1956 and 1957 was ID 807,000; its revenue, on the other hand, was ID 39,000 or 4.5 per cent of its expenditure. A. Alnasrawi, op. cit., p. 135.

⁴⁹Government of Iraq, Law No. 87 for 1965.

conclusion. It is argued that since in underdeveloped countries there exists a large supply of unemployed or underemployed labor force, the most labor-intensive methods should be chosen so as to secure a rapid increase of employment.

Nurkse, for instance, emphasizes that in underdeveloped countries, "the same capital intensity as in economically advanced countries should be neither desired nor permitted."⁵⁰

Nurkse's argument is based on the assumption that the transfer of rural surplus labor force in underdeveloped countries from the state of disguised unemployment to some alternative occupation would result in an increase of total output.

This notion is derived from the classical theory of production where labor is abundant and capital is scarce; efficient production here calls for the most labor-intensive techniques.⁵¹ It also implies that certain industries must be chosen for development which require relatively little capital compared with labor (a low capital-labor ratio). Accordingly, in the first stage, light industries are preferable to heavy industry equipped with modern machinery.⁵² Thus, a

⁵⁰R. Nurkse, op. cit., p. 45.

⁵¹B. Higgins, op. cit., p. 668.

⁵²Maurice Dobb, Economic Growth and Underdeveloped Countries (New York: International Publishers, 1967), p. 46.

theory of stages of development was constructed. First, a country concentrates on simple labor-intensive techniques and on light industries which by nature require relatively little capital and have a low capital-labor and capital-output ratio. Secondly, when the country accumulates capital and surplus labor is drawn into employment, the country can move slowly towards more advanced techniques and develop the more capital-intensive-type of industry. Yet, "this theory is essentially 'static'; it is relevant to conditions ruling at a point of time and is accordingly not very suitable as a basis for development planning."⁵³

It excludes some important factors in growth. If these crucial factors are taken into consideration, it is possible that the development policy which makes employment and output large today is not necessarily the one that will maximize the growth-potential of the economy tomorrow. A development policy aimed at maximizing the latter, which might be at the expense of giving an immediate yield and employment smaller than under an alternative policy, will lead to higher output and employment, and hence consumption, later.

This conclusion depends on what determines the growth

⁵³ B. Higgins, op. cit.

potential of the economy, and what are the limitations to realize this potential? If the resources available can be directed towards widening these limitations "bottleneck," they will evidently contribute very much more to promote growth than if they are used in any other way.

Iraq's main resources are petrochemical operations, natural gas, and agriculture. National income can be improved only by greater utilization of these resources. As was shown in previous chapters, the failure of agricultural output to expand has made it more difficult for the rest of the economy to maintain a high growth rate.

In the industrial sector, Iraq has developed its oil resources which provided commodities for export, and hence foreign exchange, which was the only source of financing the economic development in Iraq. The Board did not devote any serious attention to Iraq's chemical resources. Industry based on chemical resources relies on local as well as international markets. World demand for chemicals is rising and Iraq is better situated to compete in the markets of the Middle East and the Far East.

Through the development of export market, domestic income is enlarged. According to a number of independently undertaken calculations, there can be hardly any doubt that the productivity of new

chemical industries will be as high as that of the oil industry.⁵⁴

It follows that the implication is that whatever investment-potential the country has, investments should be concentrated upon methods and lines of production which will increase this investment-potential still further. Insofar as the growth-potential lies in these crucial sectors, the possible growth rate in the future will be higher the larger the proportion of current investment that is directed towards expanding these sectors of the economy. This is for the simple reason that one will have a larger output and capital with which to construct and equip new factories and power plants and steel mills. Even in the case of agriculture and consumer goods, capital-intensive techniques seem to be favored, because these are more productive, and will by achieving a higher level of productivity per worker make the surplus product larger, thereby enabling a larger labor force to be employed in other sectors of the economy.

A high growth rate policy of this kind will involve a conflict in the very near future between the requirements of growth and a quick expansion of employment and consumption. Lange distinguished between the methods of production which

⁵⁴ K. Langley, The Industrialization of Iraq, p. 226.

employ much more labor and those which are more productive in the sense of contributing more to the increase of national income. In the view of Lange, if planning is made only for a short period, then labor-intensive techniques are the best because they lead most rapidly to the absorption of unemployment or underemployment. But, according to Lange, if a longer view of development is considered, then investment in methods as well as industries will lead to a more rapid increase in national income.⁵⁵

Indeed, if one considers the development policy from the long-run angle, this conflict will disappear, because a high investment policy will soon make possible a more rapid expansion not only of investment but of employment and consumption as well. It may well be that, when starting from a low level, an initially larger amount of resources devoted to development will "pay off" very rapidly even in terms of available consumption, so that consumption will increase too. In fact, the reluctance of the Iraqi government to reduce its present consumption, which presumably explains why it is unwilling to devote a larger percentage of the national income

⁵⁵ Oscar Lange, Economic Development, Planning, and International Cooperation, Three Lectures delivered by Lange at the Central Bank of Egypt in 1961 (Cairo: Central Bank of Egypt, 1961), pp. 21-22.

to development, could conceivably mean that the present generation will receive, over its lifetime, less consumption.

Under conditions of Iraq, labor-intensive methods may prove to be more expensive than capital-intensive methods. The transfer of the worker from the rural sector to the industrial sector must be accompanied by provision of industrial equipment sufficient at least to enable him to produce his own subsistence. Further, the transfer of workers from the villages to the industrial sectors requires expenditure on housing, hospitals, schools, social services, etc., which might double the amount needed for the setting up of an additional worker. Furthermore, the industrial workers have to be provided with food, clothing, and the like, that correspond with the prevailing standard of living in the country. This is quite higher than their previous standard of living in the rural sector, and since the underemployed worker does not bring his food with him, the need of providing consumer goods for the workers employed on the new projects implies that the expansion of the industrial sector calls for a greater expansion of the agricultural sector. Thus, with labor-intensive techniques, there is no prospect to increase agricultural production. This, in fact, will check further expansion of the industrial sector, and consequently lower

the growth rate of the economy.⁵⁶

The Domestic Market

In 1963, the population of Iraq was about 7-7.5 million, and per capita income, excluding oil royalties, was ID 50. Looking at the sectorial distribution of income, one can get a rough idea about the high disparity in income distribution. Agriculture, with population of 5 million, produced ID 80.4 million (constant prices), or about 16.4 per cent of the national income in 1963. The wage bill of the industrial workers (in both private and public concerns) was ID 19.5 million.⁵⁷ Thus both rural population and the industrial workers have received about 20 per cent of the national income in 1963. On the other hand, salaries and wages of the government employees have accounted for ID 78 million (15 per cent of the national income).⁵⁸

Accordingly, about 6.6 million of Iraq's population received 35 per cent of the national income, while the share of interest, rent, and profits was 65 per cent. It follows

⁵⁶ See C. Kindleberger, Economic Development (New York: McGraw-Hill Book Company, 1965), 253 ff.

⁵⁷ Government of Iraq, Statistical Abstract 1964, p. 109.

⁵⁸ Ibid., p. 73.

that the market provided by the majority of people is restricted by low incomes, especially agricultural incomes.

Economists maintain that one of the reasons why agricultural growth is a necessary concomitant to industrial expansion is to provide a market for the output of manufactured goods. Our previous analysis showed that the agricultural sector was not successful in filling this role. The greatest share of total expenditures by peasants is still accounted for by food. Between 67 and 71 per cent of total consumption expenditures is devoted to food compared with 20 to 30 per cent in advanced countries. With the exception of textiles and low grade consumer goods, the Iraqi agricultural sector has provided only a negligible market for industrial products. Expenditures by peasants upon industrial products constitute a tremendous potential market for domestically produced manufactured goods when their incomes rise.

CHAPTER VIII

SUMMARY AND CONCLUSIONS

The importance of agriculture in Iraq was recognized in the earlier planning efforts since the poor performance of the agricultural sector was the major cause for dragging economic development. These efforts were not successful, however, because there was no all-out systematic attempt to improve agriculture. Instead, efforts for improvement were limited to the construction of dams and flood-control projects. Poverty, inequality, and social immobility, despite investment in agriculture, continued to be outstanding features of the agricultural sector of the economy. Productivity was extremely low and the cultivated portion of the total land area was only 12 per cent. The water supply was inadequate. Feudalistic small-scale peasant farming predominated. Only 3.5 per cent of the peasant families (about 2,680 families) possessed land, and some 739,000 families were landless.

Evaluation of Past Plans

The Development Board was created in 1951 to be the instrument by which the social and economic problems were to be solved. But, as we have already seen, the Board failed to achieve any of its economic and social objectives. The Board had been guided by a development strategy which emphasized total dependence on royalties derived from the oil industry to develop agriculture and not industry and stipulated that Iraq should obey the "rule" of free trade, that is, not attempt to industrialize through the use of protection and so on. This strategy brought nearly complete disappointment and failed to lessen the economy's dependence on the oil sector.

The first Five-year Plan drawn by the Board, based on a strategy which emphasized government passivity in industrial development and reliance on private capital, was so poorly drawn and implemented that Iraq actually had no economic development at all. When the second Five-year Plan was introduced in 1956, both its targets and its economic instrumentalities showed the influence of Lord Salter strategy for economic development which was based on the development of agriculture with no attempt to develop industry.

Iraq is an agricultural country. The Board was guided by a development policy which emphasized that the development

of Iraq must be generated or stimulated by diffusing capital, institutions, and foreign technical assistance to Iraq from western countries. Consequently, neither dam building nor flood-control projects alone could solve the dilemma of Iraq's agriculture. This lop-sided development program, dependent on investment of oil revenues and centered on agricultural development has failed to evoke a strong response from the non-oil sector to the development stimulus and has failed to achieve major structural change in the economy. Thus, in the pre-1958 period, the Iraqi economy was characterized by the following features: First, in structural terms, Iraq kept more than two-thirds of the economically active population in agriculture, but agriculture produced only about 20 per cent of the total national income. Rural unemployment and underemployment were high and farm income barely rose at all.

Second, the industrial growth in Iraq has been slow. All but a small percentage of industrial output has gone to import-replacing goods; nothing has flowed into international trade to earn foreign exchange. Most industries employ less than 10 workers, and there are no economies of scale. Industry (excluding oil extraction) has constituted only nine per cent of the national income and employed about 3 per cent of the labor force.

Finally, although national income increased in statistical terms, both in the aggregate and per capita, the distribution of the social gains has been very unequal. A survey of income distribution in Iraq showed that rural per capita income was less than one-eighth that of the urban per capita income and that less than 5 per cent of the population has received nearly 60 per cent of the national income.

These three problems described above combine to inhibit the structural economic changes that have been the main features of the western countries which achieved economic growth in the past. In today's developed countries, economic development involved a structural change. The proportion of population in agriculture was reduced and the non-agricultural productivity was raised. Simultaneously, agricultural productivity was raised and consequently the farmer's income increased. In Iraq, these shifts have barely begun, and nowhere has a significant structural change taken place. Furthermore, early in 1958, agriculture and industry together generated only 29 per cent of the national income produced in Iraq.

Iraq, experiencing an extremely high rate of import with no offsetting increase in its exports, lost large amounts of its foreign exchange. The development of the Iraqi economy from 1950 showed that the level of income has been connected

with the expansion of oil industry. It was only during that period in which there was increased importing capacity. The 1950-1958 period is marked by a substantial increase in the relative importance of external demand as a determinant of the size of import. As a matter of fact, whereas oil export constituted 97 per cent of Iraq's total exports, Iraq's non-oil exports accounted for only 3 per cent, while imports increased by 367 per cent. Expressed differently, Iraq's exports constituted 3 per cent of Iraq's national product, while imports constituted 27 per cent.

Statistics on Iraq's foreign trade show that non-oil exports were declining since 1950. In 1950, exports were ID 20 million, or about 14 per cent of the national income, but in 1958, they were ID 14 million, or 2.7 per cent of the national income.

Economically, foreign investment went only into oil extraction as a kind of "enclave" of the western economies, detached from the rest of the Iraqi economy, seeking their markets abroad and sending their profits abroad. In consequence, the Iraqi economy became a one-sided, oil-exporting economy. Equally significant is the fact that the profits of the oil industry were not used for industrial investment, which is the real dynamic factor of modern economic develop-

ment. This is another reason why Iraq was not capable of following the classical capitalist path of economic development.

In fact, the growth of the oil industry which contributed indirectly to the Iraqi economy by providing the government of Iraq with some oil royalties has discouraged the government from taking any minimum measures to raise revenues from non-oil sectors. Thus, between 1950 and 1962, while current expenditures rose from 20 per cent to 28 per cent of national income, non-oil revenue declines from 26 per cent to 15 per cent respectively.

In the midst of Iraq development difficulties, the new regime, which came to power following the revolution in 1958, proclaimed economic and social reform which proposed to sweep away all the fetters to such development. It emphasized planning, considered economic growth as the national objective, and sought to achieve self-sustaining development. The new regime, described as anti-feudal, considered agrarian reform an objective necessity in Iraq. Abolition of the existing land tenure system and the freeing of the peasants from the various forms of feudal and semi-feudal dependence were considered indispensable to progress and to combating poverty and ignorance among the peasant

masses.

Consequently, a program was worked out which would provide economic growth and an equitable distribution through a fundamental reorganization of the agricultural sector. It was assumed that oil royalties would provide the capital for investment in the agricultural sector while the latter, newly-structured through agrarian reform measures, would be the main engine of economic development. The planned result of agrarian reform measures was primarily the replacement of a system of functionless landownership by a system of small-peasant proprietors. Such a change was expected to enhance social justice and to increase social integration. From the point of view of economic development, an assumption was made that the main effect of agrarian reform would be the loosening of the hold of tradition on agriculture and on rural life in general. The peasant would develop an interest in improving his own land and in obtaining higher yields.

Quantitatively, the agrarian reform was supposed to affect a large area of the country, both absolutely and relatively. This reform was to be supplemented by various other government measures such as the following: (1) The construction of dams and irrigation and flood-control projects which will lead to the development of large-scale intensive farming,

the use of mechanization and chemicals, and extensive settlement; (2) the building of roads and increased motor transport; (3) rural electrification; and (4) the provision of educational facilities, medical care centers, and clean drinking water. These measures, as proposed, were impressive and seemed to constitute a wide-scale agrarian reform for solving Iraq's problem of low productivity with the attendant evils of poverty, ignorance, and wasted man-power.

The progress actually achieved, however, shattered this initial optimism. First, the implementation of the program was extremely slow. The 1958 Agrarian Reform Law stipulated a program to be carried out over a five-year period. But even after a period of eight years, that is by 1966, only 6,594,672 donums were expropriated instead of the 11,436,000 donums planned. In addition, during this eight-year period only about 2 million donums were distributed, some of which were part of the State domain (Miri Sirf) and therefore not subject to expropriation. Thus, about 80 per cent of the peasant families remained landless. If the land expropriation and distribution continues at the same pace, the expropriation will not be completed until 1972 and the land distribution will not be fully implemented until the early part of the next century.

Second, while the agrarian reform law tended to weaken the economic and political position of the landlord and to strengthen the legal status of the tenant since the landlord was now forbidden to impose feudal duties and levies and forced to abide by rent ceiling and three-year leases, the landlord's position was not weakened in other aspects. He was allowed to retain large holdings many times greater than that of the average peasant holding and he was given prior choice on the land he wished to retain. This led to a refusal of the land granted on the part of some of the peasants since it was unsuitable for cultivation. It also brought about a movement of peasants from one district to another which, in turn, induced the authorities to enact a law prohibiting such movement. Also, the landlord was allowed to retain the bulk of the farm machinery and implements. Finally, there were exceptions and ambiguous stipulations in the law that would be to the advantage of the landlord.

Third, the agrarian reform law provided for compensation to the landlords and established high prices for the land sold to the peasants. The State collects the money from the peasants and turns it over to the landlords. In addition, the landlords were permitted to lease land from the state even though the law gives this right only to small peasants.

What is the explanation for these results of the Iraqi agrarian reform program? The answer is of a political and social nature, as well as economic.

In the course of development of Iraq, faced by a narrow and restricted home market and lack of industrial environment, the rich class succeeded in penetrating into the agricultural sector by acquiring land or by providing capital to introduce pump irrigation. Historically, the establishment of the pre-conditions of economic growth in the West was the work of the middle class which destroyed the institutions of feudalism and created a political structure capable of serving its own interest. In Iraq, however, a sizable and important middle class has had no chance to develop and exert effective political influence. Among the reasons for this failure, reasons connected with the internal make-up of the business class itself which was connected with its traditional attitude toward seeking greater social status and economic security by reinvesting its earnings in land rather than long-term productive facilities. Thus, the business class has sought the protection of and joined forces with, rather than attempting to destroy the feudal elements in Iraq. This group, therefore, not only failed to urge or support effective agrarian reform, but opposed any call for it.

Upon coming to power, the new regime declared that the new government aimed at modifying the structure of power in order to create a modern national, independent, industrialized society. This was to be achieved, at the top of the socio-political structure, by the abolition of the monarchy and the establishment of the Republic of Iraq, the elimination of the traditional political power, and its replacement by a new type composed of army officers, economists, and engineers. At the bottom of the pyramid, this reform was to be implemented by agrarian reform which sought to weaken the economic basis of the landowning class. It also planned to increase the number of small landowners and redirect capital investment to industry.

The existing land system was established under the British rule in the first half of this century. The continued Iraqi backwardness can be in part attributed to a persistence of feudal elements and habits. The land system was considered as the product of the colonial rule which, rooted in the past, did not seem to meet the present requirements for growth. The system, however, was deeply rooted in customs and traditions, which retained a hold on the majority of the people, and led to an attitude hostile to change. Thus, the new regime directed a heavy blow at the feudal class by trying

to deprive it of political power. However, the economic influence of this class was not completely eliminated, only somewhat limited. The feudal class used this influence to bring pressure to bear on the government. Thus, soon after the enactment of the agrarian reform law, the feudal class was called upon by the military Governor to manage and operate its big lands. It is also true that the rich class continued to exert influence on the development of the country, relying on its economic strength and the support of foreign power.

In analysis of the prevailing confusion about the position of the national middle class (composed of the free army officers, professors, and foreign-educated intellectuals) a wide divergence in political and economic philosophy is revealed. On the one hand, national middle class sought to carry out the agrarian reform within limits which would enable it to abolish or reduce the absolute land rent paid to the landlord. It wanted the agricultural surplus to flow into its hands as a result of capital investment in agriculture. On the other hand, the national middle class, fearing that a wide-scale agrarian reform might lead to further socialization and nationalization, which might run counter to its interest, applied a strong pressure to stop further

nationalization in Iraq. The military regime had earlier shown its hand by nationalizing the banks, insurance companies, and 32 of the largest industrial and commercial companies. This constituted the public sector as against the private one. Recently, there was a retreat from this policy. The Iraqi government has given assurance that there will be no new acts nationalizing property which is now private.

With the implementation of agrarian reform program, one expects that investment in agriculture should increase rapidly due to the emergence of new needs and to the need to undertake a massive rural development. Under the new regime rule, however, there was a deliberate reduction of expenditure on agriculture. There was a reduction in the rate of spending on projects such as irrigation from 45 per cent in 1957-58 to 28 per cent in 1959-60. Again, under the Detailed Economic Plan, 1961/62-1965/66, agriculture received the lowest share of the total planned expenditures. While the Detailed Economic Plan estimated that agricultural development requires ID 389.5 million, only ID 112.9 million or 29 per cent of the total was planned to be spent on agricultural development. This is much less than the proportionate allocation to industry which was 76 per cent of the funds needed for industrial development.

Agrarian reform has a double purpose: as a social system, it must release the peasant from the exploitation to which he has been subjected under the feudal system: as an economic pattern of agricultural production, it must provide for the basic needs of the country. The social aim is partly achieved; the economic aim seems at first rather unsuccessful. The failure of the agricultural development policy is demonstrated by the fact that the agricultural output was declining rather than rising. The contribution of this sector has declined in both absolute and relative terms. In 1953, agricultural output was ID 85.7 million, while it was ID 80.4 million in 1963. Thus the political revolution and the agrarian reform which accompanied the military revolution in 1958 have not changed the pattern of income distribution in favor of the peasant. Nor has agrarian reform achieved one of its main purposes, that is an increasing flow of surplus to the towns. Soon after the enactment of the 1958 Agrarian Reform, the peasants did increase their consumption and hence reduced the landlord's share of crop which went to the towns as surplus product. As a result, internal trade declined, a decline assisted by a deliberate landlord campaign to sabotage production. This reduction in the surplus affected the capitalists as landowners and merchants and also middle and small

merchants, many of whom, unable to perceive their long term interest in the reform, began to turn against it. Thus the new government, which carried out some necessary expropriation measures, could not substitute itself for the rent collections, moneylenders, and traders who were eliminated by the very revolution that put it into power.

The above factors are not the only causes of the failure of the agrarian reform program in Iraq. In discussing the agricultural development policy in Iraq, one cannot overlook the political events which accompanied the application of the agrarian reform program. Since 1958, Iraq witnessed seven years of revolutionary and political instability which have been rich in turmoil, violence, and sudden changes in the economic policy. It saw a development program which caused the state to be engaged intensively in political crises and issues. In 1959, soon after the regime had come into power, a military uprising took place in the northern part of the country. This was followed in 1961 by the Kurdish revolt in the mountainous part of Iraq, a revolt continuing until 1965. While this revolt was going on, a coup d'etat brought a new government to power in February, 1963. This was followed by another coup d'etat in November of that year.

During the years 1958-1966 when the military regime

was in power, the country was passing through a serious political crisis, the state was trying to formulate its new development policy. Through this program, the state controls the tempo, the objectives and the methods of growth of the national economy as a whole. The state also provides about 80 per cent of new capital formation. This program also enables the state to impose its own priorities in economic development, such as large-scale industrialization, construction of dams and irrigation systems, building power stations, and road systems.

Although the state conceived such a comprehensive program it was unable to implement it efficiently.

Conflicts always appear when economic policy is put into practice, and development programs inevitably bring frustration which may too readily be relieved by blaming others. The trouble is not just that there is a shortcoming of efficient administration, but that a number of crucial policy lines have yet to be tried and mapped out. Economic development depends on the enthusiasm, civic consciousness, and discipline of the people, as well as on the ability of government to find the right policies and to create rapidly the machinery of the new administration. It was certainly a difficult enterprise to set peasant agriculture on its way

to progress along a route where it could dominate its own destinies. The attempt could succeed only with the support of the most dynamic elements of the population and total backing from the government. The United Nations Report correctly states that: "if the leaders win the confidence of the country, and prove themselves to be vigorous in eradicating privilege and gross inequalities, they can inspire the masses with an enthusiasm for progress which carries all before it."¹ The government that undertook the responsibility of economic and social progress in Iraq should have placed reliance on the initiative of the masses. However, the new leaders had scarcely prepared the masses for these responsibilities and the only conclusion which is to be drawn from this fact is that the government had considered that the masses were not then ready to assume their responsibilities.

The failure of the economic development policy in Iraq did not lie in the peculiarity of Iraq circumstances. It failed because the attempt to break with Iraq's backwardness was not made soon enough, and when it was made, it was not complete enough. The causes of the slow growth are definitely not those most often identified by the academic

¹United Nations, Measures for the Economic Development of Under-Developed Countries, op. cit., par. 38.

economists: shortage of capital, lack of entrepreneurial talent, or over-population. These are symptoms, not causes, and they reflect the existing social and economic organization.

Recommendations for Future Plans

The essential difficulty lay in the field of agriculture. The low agricultural productivity would mean that development plans for industrial expansion, which of course requires a steadily increasing flow of agricultural products to the towns and raw materials to the industry, cannot be effectively implemented. In the past, the shortage in food supply did not create a problem because this was avoided by importing foodstuffs at the expense of using foreign exchange. Foreign exchange, however, could be used for import of capital goods. The government would be faced with the necessity of making a choice which could not help having decisive consequences for the whole future course of Iraqi development. At the bottom there are two possible courses.

The government might continue to implement its present agrarian policy, that is, the creation of small family-sized type of agricultural organization. If this policy was applied, one might expect that the supply of agricultural products to the cities and for industry would be restricted.

This result is confirmed by the fact that instead of being a net agricultural product exporting country, Iraq has failed in recent years to be even self-sufficient. If measures are undertaken to improve agricultural productivity, this may not enlarge the marketed surplus of agricultural produce--the extra productivity may be absorbed either by more consumption in the village or by an addition to the reserve of underemployed manpower. This is apt to constitute a crucial "bottle-neck" limiting the growth of industry. Even if industrial expansion is speeded up successfully (under state development plan) and increased employment is afforded in the towns, the resulting transfer of laborers from agriculture to industry may fail to be matched by an equivalent and parallel transfer of agricultural products from village to city. If this course was followed, in order to induce the peasant to produce more, the state has to direct industry toward increased supply of those commodities which would be exchanged for the agricultural products. In addition, the government would have to depend on industrial sector (oil revenues) to accumulate capital for development rather than to extract any sizable surplus from agriculture. Finally, the planners may face a sharp rise in foodstuff prices, hence the import of foodstuffs from abroad would seem a possible solution. The second course

which the government might pursue is a change in the social and economic organization of agriculture itself to bring it under state control, and raise productivity sufficiently to supply the needs of both the countryside and the towns. But such a reorganization of agriculture could be undertaken only in conjunction with a rapid industrialization drive to supply the necessary agricultural tools, equipments, and chemicals, and to drain off the surplus of rural manpower.

Under prevailing social and economic conditions in Iraq, it is most unlikely that the second choice will be followed. As a matter of fact, the present State machine is not suitable for shaping the agrarian sector on lines of large-scale farming. But one can safely say that in principle there is no incompatibility between the economic development in Iraq and the adoption of small peasant agriculture. For Iraq has everything necessary for extensive development, and with industry largely nationalized, industrial growth will proceed, given competent administration, at rapid rate. Coupled with oil royalties, it will materially influence the volume of capital accumulation, and may well be able to afford to allow its peasants to "sit it out" for a while, and learn through cooperatives and government extension work the advantages of a rational and modern organization of agricultural

production.

Certainly land distribution must be completed or put right. But as we already know, progress in that field would be of no avail whatever if it were not to go hand in hand with a far larger effort towards the teaching and building of technical staff and advisers, cooperative management and organized credit. External aid and international cooperation alone can never be sufficient to bring about a quick enough rate of development in Iraq. The efforts of the native population themselves will always be the decisive factor. Moreover, intellectual effort must be aimed at the liquidation of illiteracy. Here too, foreign cooperation can be valuable, in providing all aspects of research and instruction to be accelerated, not to mention the training of adults for professions. To push a tiny minority into higher education without a general move towards literacy is merely to reinforce the privileged caste.

At the present time, the following measures seem to be necessary for agricultural improvement: First, the mobilization of all available means, better use of manpower, and the control of water by drainage and irrigation combined. The first aim ought to be the full employment of the labor force, before the introduction of expensive machines which may

be badly maintained and under-utilized. The machine could be introduced only if it pays, if it means the release of two or three men to the factory. Efforts must be directed toward a chemical industry, the manufacture of fertilizers. In its oil and natural gas industry, Iraq possesses a great potential for producing chemicals not just for the internal market but for international markets too. At this stage, priority should be given to methods that promise greater production per acre; intensification, genetics, provision of enough water supply. Second, later on when social, technical, and educational improvements in agriculture have developed and industry has gathered sufficient strength to establish the material foundations for the reconstruction of agriculture, it will be easier to reopen the way to voluntary cooperation, which might halt for a time at the stage of service cooperatives.

In a broad sense, economic and social progress in Iraq can only be accomplished by major and far-reaching structural change. Large investment in construction and machinery, long-term planning, overcoming tradition-bound patterns of work and thought are needed for the country to shift into high gear and achieve a large and continuous enough increase in output and productive capacity to outstrip population growth and bring about a meaningful rise in living conditions. But

this means a reorganization of Iraqi society, an all-out mobilization of the surplus now flowing into waste. Without a profound upheaval in social structure, Iraq cannot open the way to a regular, rapid, and self-sustaining growth. The Iraqi economy must industrialize, but it must increase its agricultural productivity too. Under the conditions of Iraq, there can be no question as to whether development should take place in industrialization or in agriculture. Indeed, the only way this development can take place is by simultaneous investment in both sectors. Inasmuch as these two sectors are closely interrelated, the problem of developing one cannot be separated from the other.

Measures of economic planning, however, cannot be separated from the problem of capital formation. In 1965, Iraq received nearly ID 127 million from the oil sector alone. Oil revenue, other things being equal, is increasing and by 1967 it might reach ID 140 million. This revenue, in fact, will provide the government with all the capital required for development and still leave a surplus to be used for current expenditure purposes. Furthermore, through monetary policy, taxation and a few controls (although in the circumstances of Iraq, these indirect instruments are weak), the state may be able to cut its imports by about 20 per cent and even more.

By applying a reasonable income tax with a strict enforcement, assuming that the government is able and willing to challenge the resistance of urban and rural vested interests, one could expect the tax revenue to increase several times, which would be another source of finance.

Finally, the elimination of the drain on current income resulting from excess consumption of landlords, capital removal abroad, and other untapped resources and forms of waste, when coupled with the distribution of landed property, the nationalization of banks and industrial enterprises will lead to an increase of potential capital accumulation.

The economic question that would face the government is the mobilization of these resources into productive investments. Up to the present time, however, this decline of unproductive consumption has not led to a corresponding increase of actual capital accumulation. The expropriation of big estates, the splitting of large landholdings and the abolition or reduction of rent payments, as well as the elimination of usurers, did not transfer capital from private to public disposal. By destroying the social foundations of this capital, however, the government will be able to realize this capital directly, and correspondingly one might say that this will lead to an increase in the real income of the rural population.

Such an increase of consumption and actual surplus is not expected to take place immediately after the reform. The general upheaval and disorganization that accompanied and followed the revolution resulted in a decline in total agricultural output. Once the political stability is achieved, agricultural production will increase and thus economic growth might follow.

The degree to which rural consumption will be affected by government policies, particularly those aimed at the transfer of the surplus resulting from the agrarian reform, will not be much because oil revenue placed in the hands of the state is so large that employment of part of it for an immediate mass consumption and for the import of consumer goods may still leave enough so that the government can initiate an ambitious program of productive investment.

In summation, the principal obstacle to Iraq's development is not shortage of capital but the way in which its capital is utilized. It is absorbed by various forms of excess consumption of the upper-class, by hoarding at home and abroad, by import of luxury goods and by the maintenance of a vast unproductive bureaucracy. The new elite or managerial class is not comparable to the entrepreneurial class which came to the fore during the late eighteenth and nineteenth centuries in the West; and has nothing in common with the

leading strata of the socialist countries. It is not the bourgeoisie in the classical sense, creating industry and the means of production. In the early 1960's, a commercial middle class was rising to join the military and bureaucracy in skimming the cream from the oil revenues of ID 127 million which constituted 90 per cent of the government's income. Luxury imports rose as non-oil exports dwindled; Iraq showed every sign of following a development policy characterized by down the primrose path by "sowing its petroleum to the winds."

Somewhere between ID 1300 million and ID 1500 million would provide the means for the development of both industry and agriculture. This means that if five years of oil production incomes were powered into Iraq's development properly, the country would break out the circle of the misery in which it is at present enclosed.

To be sure, one can be skeptical of the chances of seeing such a thing happen. It is nonetheless true that the key to the solution of the problem of backwardness lies in oil profits, although they can be a great help, but in the new and strong expansion of the productive forces. The only way by which Iraq can expand its production and realize its expansion is to overthrow the present social structure and to develop efficient administrative machinery to implement a

comprehensive economic plan. Indeed, the difficulties involved here are not small. They are related to various factors--such as irrationality on the part of the intellectuals who are under the influence of different ideologies, different theories of national and international development, and different interpretations of the problem.

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