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Trajectories

A new model of nation-building for citizens of Iraq

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1. Introduction

Almost 5 years after the U.S. and coalition forces invaded Iraq and captured Saddam Hussein, the cost of the war today, in blood and dollars, continues to mount.

The June 30, 2004 transfer of “sovereignty” to the Iraqi people has not yet brought about a government that can secure the “life, liberty and property” of its citizens. There is still no clear exit strategy for U.S. troops that would avoid leaving Iraq in chaos and civil war and allow American troops to leave with honor. No official plan for economic reconstruction has been offered by the U.S., its allies, or the U.N. that could unify the various factions in Iraq and provide for a broad sharing of ownership and economic power among all Iraqi citizens.

The Bush Administration continues to push for political democracy in Iraq. There is, however, mounting skepticism among critics that political democracy can work in the Islamic world. The ongoing war in Iraq has proven that any plan for political democracy is insufficient without a viable plan for building economic democracy. Such a plan requires an Iraqi model of what President Bush called an “ownership society.”

Tailoring it to the specific circumstances of Iraq, the Iraqi political and religious leadership should unleash a bold “Peace through Justice” offensive to reinforce the government’s counter-terrorism initiatives. This paper offers a specific “first step” proposal with a powerful message that, if properly communicated by respected Iraqi leaders, cannot fail to capture the attention and raise the hopes of every Iraqi. Centered on who should own and receive profits from the nation’s oil resources, this proposal deserves serious consideration by thoughtful leaders and citizens ready to explore a truly different paradigm that is consistent with Islam, one based on ownership and economic justice for every citizen.

With the vacuum of ideas being filled by growing hatred and bloodshed, the time has come to consider the concept of a new nation-building model and ask, “Why not?”

2. Strategic elements of the model

- People in developing countries are increasingly rejecting capitalist and socialist models of development as power-concentrating and exploitative, or outmoded and inefficient. The Just Third Way, in contrast, is a nation-building model based on the equal opportunity of every citizen to acquire and possess productive capital assets within an economy that decentralizes economic power. The new model provides a stable foundation for an effective and religiously pluralistic democracy. It offers a viable and politically unifying framework for all Iraqi citizens to work and prosper together, regardless of their religious, ethnic, cultural and other differences.
- The new model addresses a “fatal omission” in conventional approaches to nation-building whose exclusionary policies engender a growing gap between the rich and poor, concentration of power and ownership within a small elite, corruption and abuses of power at all levels, and instability within society.
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The leading edge of the new strategic framework is economic, attacking directly the root causes of terrorism and the basis of its support among the populace. It answers the demands of all Iraqi citizens for justice and an end to systemic poverty and oppression. It creates systematically a true nation of owners.

- This strategy promotes the growing economic sovereignty and empowerment of each citizen—as a worker, as a consumer and as a capital owner. Economic governance and accountability are structurally diffused from the bottom-up by protecting existing private property rights and by spreading throughout society equal opportunity to acquire new and transferred productive capital assets. Universal access to capital ownership would enhance the economic well-being and self-determination of the people, and reduce the tendency toward corruption and abuses of power associated with any form of monopoly power.
- It sets up the legal and constitutional infrastructure for moving quickly to a high-growth, free market system. It is based on the four pillars of a just market economy: (1) limited economic power of the state; (2) restoration of free trade and open markets for determining just prices, just wages and just profits; (3) restoration of private property rights in all means of production; and (4) the missing pillar in conventional economic strategies, removing all barriers for every citizen to become a capital owner.
- Because of its emphasis on infrastructural re-engineering (particularly with respect to central banking, capital credit, and land and natural resources development), this framework would radically reduce the cost of reconstruction of Iraq, allowing for low-cost internal means of financing the reconstruction. This would reduce the cost to the U.S. taxpayer, the U.N. and those countries supporting the effort in Iraq.
- It would help Iraq become economically self-sufficient as soon as possible, providing the basis for a stable, independent, and democratic government that would serve as a model for other nations in the Middle East and around the world.

3. Phases of implementation

3.1. PHASE 1: transfer free oil shares to every citizen of Iraq

Denationalize the oil fields of Iraq, as a catalyst for building a new “Just Third Way” economy. Transfer the ownership and control of all oil reserves and natural resources within the borders of Iraq from the Iraqi National Oil Company to a newly formed, professionally managed, limited liability joint stock corporation. All Iraqis would automatically receive free, as a right of citizenship from birth to death, a single *non-transferable* share in the new corporation. All citizens would be guaranteed first-class shareholder rights to the profits and voting control over the board of directors and management of the new company. All profits except for operating reserves would be paid out fully and periodically as dividends to each shareholder.

To meet all costs and services of government at the national, provincial and local levels, taxes on such dividend incomes would be withheld by the corporation before distributing the balance of dividends to each citizen. The shares of those who die would be retired to the General Fund or redistributed to new-borns, returning Iraqi exiles and newly naturalized citizens, who would receive an equal number of shares as existing shareholders.

The new corporation would encourage market forces in setting prices throughout the economy by offering, through a competitive bidding process, concessions and leases for exploration, drilling, infrastructural engineering and construction, processing and marketing oil and other natural resource activities. Preferential treatment would be given to competitive operating companies that are broadly owned by Iraqi citizens.

To lay the foundations for Iraq's future economy, new industrial, agricultural and commercial demonstration projects (for example, using advanced alternative energy technologies that produce power and water from sea water and waste), could be launched and financed in ways that encourage wider share ownership among Iraqi workers and other stakeholders.

Future government revenues would then flow from the bottom-up from increasing citizen incomes. This would make government more dependent economically on its citizens, rather than perpetuating the previous top-down dependency of the people on a political elite. A single rate of taxation on all incomes above poverty levels would balance government budgets, achieve greater accountability, transparency and democratic participation in governance at all levels, and radically reduce future risks of public-sector corruption or future coups.

Personal share accounts (like Individual Retirement Accounts in the U.S.) would be set up within local banks for each worker and every citizen of Iraq to accumulate income-producing capital assets, sheltered from any taxes until assets or income are distributed for personal consumption. The equity accumulation accounts would also be given the power to borrow interest-free, non-recourse productive credit on behalf of the citizen.

This “capital credit” would be used exclusively by citizens to purchase new shares issued by new or growing Iraqi enterprises to finance the expansion and modernization needs of a growing Iraqi economy. The debt for purchasing the newly issued growth shares would be secured and repaid by the projected dividends on those shares (as with leveraged employee stock ownership plans in the U.S.).

One cautionary note: experience with employee stock ownership plans has shown that it is not sufficient merely to give people ownership and expect any significant change in their behavior and value systems. It is essential that, during the

planning and implementation phases of a national ownership strategy, management systems be introduced that encourage a servant leadership philosophy and structures and processes for diffusing economic power, ownership and participation. One such system called “Justice-Based Management” systematically builds internal ownership cultures necessary to educate all stakeholders and maintain the continued de-monopolization of power and accountability of managers to the worker- and citizen-shareholders.

3.2. PHASE 2: establish in Iraq's constitution the right of universal citizen access to property

The constitution now being drafted by Iraqis should be written to reflect all the rights contained in the UN Declaration of Human Rights, particularly Article 17 (acknowledging every person's right to own property individually or in association with others). The new Iraqi constitution should include the provision that as a fundamental right of citizenship every citizen is guaranteed access to the social means (i.e. money and interest-free productive credit) for acquiring and possessing income-producing property. All tax, credit, property, corporation, insurance, inheritance and related laws should, if necessary, be reconstituted to conform to the constitution and to establish institutions supporting economic democracy and the universal right to private property and protection of the rights of property.

3.3. PHASE 3: enact central bank credit policy for growing the economy

The discount power of the central bank in Iraq should be restructured to encourage non-inflationary private-sector productive growth through the creation of interest-free money for local banks for promoting more universal citizen access to capital credit for financing new investments.

3.4. PHASE 4: gain U.N. support for Iraq as a global free trade zone

U.S. and other countries should introduce a resolution into the U.N. General Assembly to treat Iraq as a “global free trade zone” whose imports and exports would be exempt from all trade barriers and tariffs of other countries. In this way the international community could provide a major catalyst for “Peace Through Justice” in Iraq and throughout the Middle East.