

Iraq: unified by oil?

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Hard times may still continue in Iraq. However, the hopes for social and political justice, as well as resolving the problem of federalism and containing the violent insurgency, might reside in chapter 4, article 109 of the [draft constitution](#) [1]. It simply states that: "Oil and gas is the property of all the Iraqi people in all the regions and provinces". Oil, owned by the people, can become the metamorphosing miracle that ensures the survival of Iraq's fledging democracy.

The same land that invented the calendar and created the world's first writing system can, thousands of years later, offer the world something equally inspiring: a new social contract that recognises that national resources are assets of society and not of the state. With such recognition, the perennial problem of rentier states can find a [solution](#) [1] in a progressive, citizen-driven economic environment that ensures both prosperity and stability.

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The way to implement [Article 109](#) [3] is the formation of a national oil holding company – an additional safety-valve against yet another arrogant authoritarian regime. It will be a guarantor of a healthy democracy. Such a holding company would issue every Iraqi woman, man and child the same number of shares – shares that are inalienable and non-transferable. Monthly, each citizen will receive an equal share of oil revenue (in essence a stock-dividend). There are many [variations](#) [4] of this scheme; the exact details are yet to be figured out by the world's best and brightest experts, but the principle is the most important point of departure.

By directly linking the individual to an oil share, the relationship with the state becomes fortified, balancing the fears from the federal bogeyman. What applies to individuals also applies to regions. This holding company will remove imbalances. Populations and not accidents of natural history (i.e. presence of oil deposits in particular regions) will determine the allocation of resources.

More immediate is the impact such a measure would have on the insurgency and the rule of law. By providing a palpable benefit for everyone, this oil revenue unites the country across the board. Every single citizen will have this asset at stake, motivating many to protect this asset from the wrath of the insurgents by driving them out of many areas where oil infrastructure is under attack.

Currently, subsidies of food, petroleum products and other goods account for about 50% of the Iraqi state budget, leaving the other half for salaries, debt repayments and new investment. The limitation this imposes on the government is immense, and when the strain of the insurgency is added, the result is a weak entity at best. The way to overcome its predicament is an oil-for-citizen programme.

By eliminating the monthly handout of food and subsidised oil and replacing it with money in the pocket of every citizen, the Iraqi government would be effectively jump-starting the economy. It would then share the governing of the country with its citizens, as they carry the responsibility of supporting the economy through their oil revenue. This democratisation of oil revenues [5] would promote economic activity in the short term and secure social welfare and basic benefits in the long term.

The Iraqi government's income will come from the taxation of the people's oil shares, in addition to developing non-oil based sectors. This will guarantee that the endemic government corruption Iraq has witnessed is curtailed. Otherwise Iraq risks following Nigeria [5], squandering billions in ineffective government projects and with a corrupt bureaucracy feeding on its insatiable appetite for oil.

A treasury for all

Where are the inspirational models of oil-wealthy states in the developing world that Iraq might emulate? Venezuela with its oil-induced political instability; Saudi Arabia with its oil-enforced patriarchy; Nigeria with its oil-infested corruption? In contrast [6] to these models, this scheme offers a fresh way forward for the Iraqi people – and it does not float on a utopian cloud, but has a successful precedent in the Alaska Permanent Fund Dividend Program [7], enacted in 1982, which pays residents of Alaska an annual cash amount from the state's oil revenue.

Also by Tamara Chalabi in openDemocracy:

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This prospect alters the nature of the relationship between state and society. It redefines Iraq, away from a patriarchal model that is responsible for the citizen to a custodian of society that generates income on his or her behalf. This model is the embodiment of the will of the citizen at election time. The state is a delegated power for the citizen who has the agency in the economic cycle. Such an empowered citizen would push free enterprise creatively and innovatively.

This scheme cannot happen overnight; in the absence of any safeguard against inflation or instability, it will meet great resistance. But chapter 4, article 109 of the draft constitution could yet make Iraq immune from the oil curse [8] that has plagued other oil-rich states.

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