

## Pushing Iraq to Socialism or Capitalism?

by Carlos Ball



Carlos Ball is an adjunct scholar with the Cato Institute and the editor of AIPE, a Spanish-language news organization based in Florida.

Added to *cato.org* on January 24, 2004

*This article was published on Techcentralstation.com, January 15, 2004.*

Is it possible that 15 years after the fall of the Berlin Wall the United States will impose socialism on Iraq? I hope not, but the *Wall Street Journal* reported on its front page earlier this month:

"U.S. and Iraq officials are leaning heavily toward recommending the formation of a state-run oil company. Such a move could sharply curtail the role of foreign oil concerns, but might allay concerns that the invasion of Iraq was an oil grab."

This would be a disaster and a missed opportunity. There is a golden opportunity to make every Iraq citizen shareholders in a private Iraqi oil company or companies. A time-frame should then be imposed, under which those shares cannot be sold until either a stock exchange is adequately functioning in Baghdad or a reasonable price is reached in foreign exchanges. That would avoid Russian-style mafias taking over the country's wealth.

I was born in an oil country, Venezuela, where the standard of living has fallen steadily during the last two decades. Under President Hugo Chávez, living standards have dropped to the level of the mid-1940s.

It is sad that Venezuela's oil wealth has only served to make politicians rich and powerful. When Venezuela's President Carlos Andrés Pérez nationalized the oil industry in 1976, he told Venezuelans that the nation's oil was finally theirs. That was a blatant lie. The oil became his, and it now belongs to Lt. Colonel Chávez, who otherwise would not have been able to remain in power and to fire 19,000 oil workers last year, including practically all the managers, technicians and engineers.

Mr. Chávez's "Bolivarian" replacement workers are causing frequent fires in Venezuela's refineries and oil spills in Lake Maracaibo. So the Marxist government has brought back the international oil companies to do the real work under contract, subject to the strict condition that they do not hire the displaced Venezuelan workers, who remain unemployed or have sought jobs abroad.

The corruption in the Middle East is not very different from that in Latin America. While Latin presidents typically do not build dozens of palaces, they do impose similar economic misery on their people by imposing economic regulations, exchange and price controls, the distribution of monopolies and other privileges to relatives and political cronies, all while destroying the currency with inflation, which has become the easiest way for governments to steal from its citizens. And, very much like Saddam Hussein, they accumulate dollars in vaults and foreign banks because they do not trust their own currency.

When President Lázaro Cárdenas nationalized the Mexican oil industry in 1938, by placing both political and economic power in the hands of PRI leaders, he assured his political party would rule for 71 years. Is Washington going to hand out the same kind of power to a new political elite in Iraq?

As Richard Rahn recently wrote (*Washington Times*, Dec. 16, 2003), "Do you think that if North Korea and Iran had the same per capita income as the Dutch, they would behave in the aggressive manner they do?" It is in the U.S. interest that Iraq becomes a free and rich country, not an OPEC member with a permanent chip on its shoulder nor a new Cuba, Venezuela, Argentina or Brazil -- potentially rich countries destroyed by socialism.