

THE ECONOMIC ROLE OF THE STATE: IRAQ AS A MODEL

Dr. Abdul Jaleel Oda Hussain
Associate Professor of Economics

ABSTRACT: *This research is an attempt to link different theoretical concepts about the economic intervention of the state in Iraq, with the support of the historical experience from different countries around the world; focused on selected groups, which serve the considered research objectives. This thesis aims to observe and evaluate: the historical experience of the world in the field of state intervention in the economy, the type of this intervention, the intervention borders, damages or benefits obtained from each historical type of intervention. This research ends with a sound conclusion about the critical need for government intervention, but where and when is subject to discussion. Ergo, it is necessary for the state in Iraq to intervene in economic activities under certain conditions and limits reached by the researcher.*

KEYWORDS: Economic Intervention, Role Of State, Iraq

INTRODUCTION

At the center of political and social life in our country (Iraq), strongly put some basic questions about the economy. For example, how the state can influence the economy? Why the governments have to raise the standard of living of people? Why do some economic activities carried out by the public sector and others carried out by the private sector? Do we require from the government intervention in economic life greater than they do now, or it has to reduce that activity? Is it now required by the State to change its intervention quantitatively or qualitatively or both, and in any direction will this change be? (Stieglitz 2000). In order to answer these important questions or some of them, we should know what is going on now in state economic sphere, and how it grew and the evolution of that role, and what are the stages undergone by this change. Know the size of intervention and trends of changes, and to compare this with other countries that have similar or close to the conditions in Iraq that may have similar ambitions in the process of radical change in its economic reforms.

Objective of this Research

This research is aimed basically, using historical comparisons and in the light of economic theory, to determine types, forms, the tools and the extent of government intervention in economic activity. Indicating the need for the Iraqi economy to make profound changes accordingly.

Research Problem

Iraqi economy suffers from many problems, the most prominent of those are structural problems where profound political changes occurred after 2003, but they are not followed by changes in the built of the economic orientations. Looking closely into the reality of the current Iraqi economy that is still living contradictions that, not

going after the right way to bring about structural changes in the economic sphere matching the political changes.

Research Hypothesis

States which are going through transitional period in its political and economic aspects, as Iraq, for example, can draw upon all of the accumulated economic theory and applications of the historical experiences of the countries that preceding Iraq in its transition from one form of economic system to another. That smart enough reading can avoid a lot of experimentation and pitfalls and losses.

HISTORICAL DEVELOPMENT OF THE ECONOMIC ROLE OF THE STATE

The authority or the state did not come as a result of the desire of an individual or group or it is perceived in advance and planned in advance, as we express it today, but it was a logical consequence brought about the historical development of society, and in a way similar to, the same pattern and evolution of starch which biological or social composition of man. The same meaning can be considered that the establishment of the state of economic affairs, and as we see the upward trend took in close conjunction with the expansion of the functions of the state, but the only difference is that the economic state, had passed and still a zigzag line of evolution, and often subjected intervention to retreat and recidivism with changes in the content, and some of that, especially in conditions that the modern era states were responses directly for thoughts and ideologies that may prevail at times or disappear altogether, but relationship of the state with the economy as an expression from the very beginning of the authority, where the ruler in the group and Since ancient times, whether by physical force or military or spiritual, he would take a bigger share of the wealth as a result of his role as privileged, whether deterrence, protection or religious rituals.

Why state intervene in some type of economic activities and not others? And why its objectives of intervention in the economy have changed, over the past half-century? And why have different roles in different countries in the world? Is the Government submerged in the economy more than necessary? Are they knew how to work in these activities? And is it possible to activate the economic role to be more efficient and useful?. World now live a new phase of economic order, depending on the wave of profound changes that have taken place in the political and economic aspects since the eighties of the twentieth century and so far, that still going on, whether they are structural changes in the political systems and economic in the South and East Asia, but the most important influence on a global scale are the profound changes that took place in East Asia and China.(Alsayed, 2009) To have witnessed Russia and countries of the former Soviet Union from dramatic shifts included all of their political systems and how to manage the economy in a way completely different from what it was previously. Then the same pattern turned all the countries of Eastern Europe, which was part of the socialist system of states in the near past .Along with this there are many countries, among the so-called third world had chosen the path of economic and social deep transformations, which is divided between Asia, Africa and Latin America. With confidence we can now call on the period since the eighties of the last century and so far it's the era of profound changes in politics and economic policies at the global level.

The first application of the Keynesian ideas even before publication of his book "The General Theory of Employment, interest and money" in the United States at the hands of President Roosevelt Franklin D Roosevelt through a program called The New Deal, and who could apply some of its paragraphs only, due to the strong opposition faced by the political class at the time and that raise fears of some features of socialism in vocabulary of that program, but it led to the popularity of new economic thinking, which is no longer left to the periodic crises (Business cycle) that deepens the same spontaneity, depending on market activity alone.(Steward, 1976) When major economic crisis hit the USA. economy between 1929-1933, as unemployment rose from 4% in 1929 to 25% in 1931 and prices fell respectively to 20% causing the deepest economic downturn in the country's history. This program came as direct government intervention to address the consequences of the economic crisis. Several programs been designed for the first time for social security and to help thirsty bank deposits to encourage work and help farmers. They all based on an extraordinary budget allocated to revive the economy and work to get out of the crisis. Despite the relative success that resulted directly from the implementation of the programs, but it has spread to other capitalist countries, known as a tool to fight the economic crisis, (Stieglitz, 2002). In this period, specifically, or about the beginning of the seventies of the twentieth century, the crisis has become deeper where accompanied by unemployment and Inflation, which form a mystery to the economic.

Capitalist world in this period entered in a new dilemma in the capitalist model of the economy. Attractive selections theory that advocated by "Adam Smith"(Smith, 1999) no longer enough alone neither the renovations brought by Lord Keynes also feasible. In this difficult period of history of world capitalism when inflation correlated with unemployment forming a new economic phenomenon hard terminated "Stagflation" beginning of the so-called problem (Keynesian theory crisis), and can no longer be safely addressed. After the skilful use of both theory Keynesians, its renovation (new Keynesian) together with the Monetary theory that was founded by the economic contemporary thinker Milton Friedman, the Founder of the so-called later (Chicago School). These important dimensions took effect in advising governments in the United States in particular and Western Europe with reference to the foundations of political economy and try to keep governments away from market activity. And pruned bureaucracies work and reduce the size of government.

From here started to return to state intervention in the affairs of the economy, but in a new form. The reasons for the gradual shift towards a mixed economy are the ownership of the means of production, a key role for the state in the development and modernization of the infrastructure of the economy. State control over all of the regulation and control of good performance for each of the public health services, education and scientific research, and all arrangements and activities to protect the surrounding environment. State legislation of necessary laws with amendments continued in the affairs of antitrust, consumer protection laws and legislation to control and organize the Labour and activity of market economy, they encourage the emergence and developing the private sector as a fundamental pillar to the economic life, but in the same time, lead strict control and firmly of legislation in order to let free market to do its activities properly. Carefully watching the private sector behaviors, this prevents monopolistic behavior of commodity prices. And directed manner indicative not infringe on the freedom of ownership and disposition results,

and enjoys generous aid in the case of exposure to failure, collect taxes which constitute one of the main resources of the state budget. We can conclude that state intervention in its current form, ranging toward moderation, and especially in light of the new international circumstances, the conditions of the rule of globalization and economic conditions of free competition in the market, within a new framework.(Al-Khafaji 1983) In the economic framework the world is witnessing now several distinct forms of the political-economic systems, each of them requires state intervention in economic affairs differs a little or a lot from others.

CONTEMPORARY PATTERNS OF ECONOMIC MODELS AND SIZE OF STATE INTERVENTION

The liberal Economic system:

The first is the traditional capitalism which called liberal and represented by the economic and political system in the United States of America. Described by the U.S. economic thinker "Paul Samuelson" "perhaps America in the nineteenth century was the country closest to the free state economy Laissez-Faire, which some thinkers called it chaotic economy, the result was a century of rapid material progress and environment of personal liberty. There were also periods of economic crisis, seen a waste of scarce natural resources and prevalent cases of racial discrimination and sexual and there is extreme poverty alongside great wealth. Government corruption and impenetrable bribes by stakeholder groups, as well as periods of a rise in the importance of corporate and that turned out to be stronger than the government itself. The prevailing view was known among American politicians "smaller government is better government."(Friedman, 1982). Gradually and under mounting social pressures, the constitutional powers of the state started using to ensure the rights and interests of the community. Started to monitor the economic system, Introduced provisions and state laws on the railway companies and to organize transportation between U.S. states, and then issued antitrust laws, the laws of the founding banks, laws to control Big Food and Drug companies and fight outrageous profits that were imposed on the needy. The capitalist economic system in the United States stills keeping the most important traditional conditions of the capitalist system. And still the United States of America is the most liberal and open economy. Where characterized by a lower level of taxes offset by a lower rate of government expenditure allocated to social services and redistribution of income, compared to other countries in Western Europe.

Table No. (1) Tax percentage of GDP for selected western countries

Country	Tax %
Sweden	43
France	38
Germany	35
Britain	35
Canada	33
United States	28

These figures taken from the International bank, year book/2004

Table no 1. shows here that the United States is the least tax rate obtained from the various citizens, compared to a group of countries selected in the table above, but if

we go back to find that the amount of taxes withdrawn before half a century from now to find it equivalent to only 10% of the GDP of the United States of America. These rates are about convergence rates of government expenditures as well, and are considered by the government expenditure allocated to social service programs is incomparably least for capitalist countries in Europe. The capitalist economic system in the United States of America is still characterized by some differences from each of the countries of Western Europe, the prestigious industry and economic development, as well as for the capitalist system in the north of Europe and also in Japan. There is greater economic freedom in America than others. Restrictions on private capital in terms of transmit or run either It's very simple or non-existent. Did not impose this type of economic regulation of any one ideology or party or external forces, but it was the result of social and economic development of the society there. And still stick to what appears to economic freedom and more of them feature of this type of economy, and if the majority of Americans affected by this type of economic model, survived so far, because the political system there based mainly on democratic rules and because any significant changes will succeed if the majority to its side.

ROLE OF THE STATE IN THE ECONOMY OF INDUSTRIALIZED EUROPE

The second type of the modern capitalist system is located in the countries of Western Europe such as Britain, France and Germany. Featuring countries in organizing economic as maintained the basic conditions for the system of economic freedom in terms of ownership of land and the means of production and disposition of their fruits, in addition to economic openness to the world represented in the free movement of goods and labor and capital, but differed in the form and extent of government intervention in its economy. The strength of the democratic system, and entrench democratic values and human rights led a long time ago that is before other countries, to the serious calls to reduce inequality that result from private sector activity and maintenance of the individual property. Because the market economy and free competition also have social cost, the trade union movements in particular and the voice of public opinion have had a strong impact on the accumulation of social achievements in reducing disparities in access by wealth redistribution and access achieved throughout the year. Those formed pressure to alleviate the most harmful aspects of the capitalist system as traditional, have had the effect of gradual changes but serious and comprehensive meaning they included the capitalist system at the global level, but the fact that Western Europe adjacent to the former Soviet Union and shares borders geography with eastern Europe the former Socialist, the features of the Cold War and the competition between the two systems on the economic level, has been influenced large segments of western European society whether socialist Media talks about justice or in the application of equality and justice between members of a socialist society.

The working class and their organizations Where the first affected by such new phenomena and who formed the daily pressures under the democratic system in these countries. In other words we can say for sure that these profound changes in the form and style of state intervention in economic life do not come from goodwill or charity motive, but it was a logical consequence of the conflict in the essence of social class and economic appearance. First it has maintained political stability in the ultimate

durability and maturity in terms of form and content of the democratic state of political pluralism and trading power smoothly as a result for the general elections which take place on a regular basis. Individual liberty guaranteed and there is a reverence for freedom of expression and speech cannot be compromised. Law is above all and everyone should be aware of their rights and duties. Secondly, it was adopting social programs gave new constitutional rights in the field of comprehensive economic influence, such as rigid labor laws, especially with regard to the minimum wage and the number of working hours the work environment and the fight against discrimination. This on the one hand and on the other is guaranteed position in the redistribution of income and compromise between the American model, which still gives the economic rights of society less and the Scandinavian model, which is characterized by generosity in tender for poor and underprivileged social groups. Ultimately, the role of the state in the economy, although it is growing in size, but sometimes suffers from declines according to the economic efficiency, which is one of the main goals in the formulation of any growth program.(Samuelson 1976).

Table No. 2 : Social spending as a percentage of GDP for selected countries

Country	1995	2000	2005	2010
France	32.1	32.4	32.0	32.5
Germany	27.8	27.1	25.9	25.9
United Kingdom	24.1	23.8	23.6	23.9
United States	19.2	19.8	19.6	19.7

Extracted from the World Bank year book 1995, 2000, 2005, 2010

Table no. 2 shows large differences in size and increases of expenditures to GDP those on social protection programs and ensures a decent standard of pension to all citizens of this group of industrialized nations in providing this service level.

THE ECONOMIC ROLE OF THE STATE IN THE SCANDINAVIAN GROUP

The third model of capitalist economy is located in the Scandinavian countries: Sweden, Denmark, Norway and Finland are the four countries that have achieved so-called "Welfare State" in the sense most accurate, and this kind of economic regulation differs. The strategies of economic and social structure in Scandinavia were the direct results of political democracy and political stability, the objective is to build a model of the welfare state. Was and is still Economic Fair treatment for growth and economic development prevalent view, that determine the activities of the public sector in economic life and make the private sector as the cornerstone of the production processes and operating, but this economic model in this group of countries proved something new, (Sachs 2005). It experienced steady economic growth since the end of World War II, like the rest of the European countries, but they were able to reduce the size of the differences in access to members of the community. In 1985, for instance, the proportion of workers in the public sector in Sweden accounted for 33% of total employment, while this figure accounted for 30% in Denmark and 24% in Norway. And the advantage of these countries also increases its employment ratio and high public expenditure ratios of gross domestic product. For the year 1990, for example, the percentage of public consumption of GDP is the

highest in Denmark, Sweden and Norway compared to the rest of the Western industrial nations. The high rate of per capita income there, economic development and technical Progress, Despite the different nature of government intervention, but that intervention was made without prejudice to the system of capitalist production, and has adopted the anti-poverty programs to reduce social differences on two mechanisms: the development of an elaborate system of taxes and, with the redistribution of income in a way that led to the eradication of poverty and the achievement of a new type of public welfare unmatched by another model, (Inati, 2003).

Table No. 3: Social spending as a percentage of GDP for selected countries/2004

Country	%
Denmark	30
Sweden	37
Norway	28
Netherlands	31
United kingdom	24
Ireland	23
Spain	18
Finland	28
Germany	26
Belgium	29
France	26
Portugal	17

Source: Euro state Social Protection expenditure NOSOKO2004

The table no. (3) above shows clearly that the size of social spending in the Scandinavian group is greater than any other country in Europe. These countries characterized with a high level of productivity and the quality of local products. Most of the public services been sold to the private to achieve a higher level of economic efficiency. Sweden as an example in the privatized education since 1992. As well as the privatization of the pension fund. Flexibility in the labor market with the decentralization of the economy, and the level of unemployment is the lowest. But there is more flexibility in Denmark, which virtually do not have any regulation of the labor market. All of these countries have high rates of public spending with some differences, in Sweden, for example, reached 56% in Denmark, 52%, Finland 64% of GDP. Denmark spends each year on education 7.5% of its GDP, Sweden 6.6%, Finland 6%, while in Britain it is only 5.5%. Sweden and Finland spend 4% of its gross domestic product on scientific research and development, Denmark 2.6%, while the United Kingdom is not up to 2%.

Economic growth rates rose to 12% for Finland and 5.5% of Sweden in 2004. And unemployment rates were lower than the European Union much, reaching, for example, 3.4% of Denmark and 6% in Finland 2007. The poverty line rate fell to 9% in Sweden and 10% in Denmark and 11% in Finland, while it is 13% in France and 19% in the United Kingdom. In spite of the generous social programs, the governments of these countries are generally committed to fiscal responsibility, annual budgets for the year 2004 has recorded a surplus of 1.2% in Sweden and 1.9%

in Finland and 2.6% in Denmark this as a percentage of gross domestic product . While presented France's budget deficit of 3.7% and Britain 3.1% for the same year. For the first time in human history what is obtained by the individual of economic benefits is not linked to his or her participation in economic activity. (IMF Reports) Recent history teaches that This also was one of the main ambitions for socialist countries in planning to reach the communist society that was desired, when achieving the known slogan "from each according to his ability and to each according to his need."

THE ROLE OF THE STATE IN THE ECONOMIES OF EMERGING COUNTRIES

Finally there is a modern type of the capitalist organization of the economy, the one that has been highlighted some of its features in an earlier chapter when talking about the economies of transition to capitalism in the context of the twentieth century. Japan is the most prominent model then South Korea and on the same model almost all emerging economies in East and Southeast Asia and in the forefront China, where this type of economic organization characterized by adopting a market economy, in giving freedom to individuals to establish companies, with the enactment of laws for the maintenance of the private ownership of money and projects and give freedom of competition in the market and the freedom to turn a profit with free movement of both goods and services and capital, even work sometimes at the local level and between countries, that is, in brief they achieved the following:

The liberalization of the economy in terms of legalization of private property and ensure the integrity of the laws Guaranteed freedom of competition in the market. Encouraged competition within the boundaries avoiding the emergence of monopolistic companies. Liberalization of trade and make way for the import and export without restriction, except what the product supports local and assisted in the global competition and for limited periods. Currency liberalization and install real exchange rates based on the economic and financial situation of the country. Ambitious programs designed to privatize the ownership of the state of institutions and companies in the field of commodity production, transport or financial services and banking. But the new thing is that distinguishes this type of modern economies, the new character in the way the State's conduct central or local governments about the ownership of some economic sectors, such as financial or banking, as happened in Japan and South Korea later developed for certain important sectors of heavy industry and capital-intensive in the iron and steel or mining on the basis of public ownership and then transferred to the private sector gradually depending on the evolution of the potential of this sector and its ability to absorb and manage large-scale investments. State initiative to engage in productive sectors for export, by offering initial capital to open the doors and encourage domestic private capital to complete the experience. Finally forming banks and financial institutions that given the task of providing the necessary funding for the group of companies, this type of economic organization named "Keiretsu" in Japan, moved to South Korea where practiced under the name "Chaebol Bahayebol", not only in the field of production and organization of companies, but also in the labor market as well, Japan for example have its labor laws inconsistent with the foundations of market economics, first of ensuring work for all employees until retirement, and legally prevents layoffs except under certain conditions. This was the features of the Japanese economy during the second half of

the twentieth century, until the financial crisis in Japan, which prompted the state to abandon some of those conditions to bring about flexibility in the labor market there, (Hutton 2007).

China in keeping the "iron rice bowl " another model also in labor legislation, but the strange thing is that the application of Japan for this type of labor legislation did not adversely affect the effectiveness and efficiency of Japanese companies or limit the power of its companies in the global market, as it was expected by many analysts, because a condition like this creates a non-flexible labour market and therefore either lead to higher wages, which did not get to Japan at the time, or to create a scarcity or poor distribution of skills required. The reason may lie in the presence of other new dynamics to the economy of this kind are balanced with perhaps those deficiencies or inconsistencies with the traditional conditions of capitalism. But it is known that most of the countries that finally turned to a market economy have been controlled by the public sector on all or most of the economic activities, and there is also known that there is rarely layoffs of staff of government institutions, that is to say that advantage came from the prevailing authoritarian features of the economy in previous eras. And the intensity of the social status attached makes it the hardest thing in the beginning of shifts and probably represents suicidal for the government, to resort to making that decision. While the classical theory in economics explains that labor market flexibility the right to lay off workers is one of the most important factors of efficiency in the economic system. And never concerned about permanent unemployment, new classic proposes for example that the unemployment margin between 3-4% is a healthy and natural phenomenon, and that the margin of 3-4% of the workers left outside of work is considered within the full employment definition. In short this contemporary style of non-traditional capitalism also came with a different contribution to enrich the theory and practice of the world economics by the new ways and tools of intervention.

THE ROLE OF THE STATE IN SOCIALIST ECONOMIC MODELS

This type of economic organization, represent an extreme case of active government intervention in the economy, since the founding of the first socialist state in the world the "Bolshevik" state which has been held in Russia. Socialist-state model was established in the Soviet Union followed by the socialist system in Eastern Europe and in China, is basically characterized by public ownership of the means of production. All factories and farms, businesses and service become the property of the state. There is no private sector in Russia, for example. But some of the other socialist countries such as Poland or Hungary have got a simple form of private property. Central planning is the basic law for the conduct of economic life completely. Five-year plan and on the basis of the annual plans, what to produce and those who produce and how to produce, given to all Government companies and institutions, the work is based on the completion of the quota, no descent from the plan and which resides on the light level of success or failure of each institution.(Talbanov, 1974). Central Planning office rules the economy, by designing decisions on important economic questions: What to produce? How much is produced? And how it is and to whom? Bureaucratic bodies and partisan Supreme issued descending in the form of orders and enforceable. Due to the expansion of bureaucracy and corruption, which comes mainly from the lack of motivation and efficiency at work, and because the results no matter how big will not accrue to the talented or creative or achieving something

important. These things encouraged widespread underemployment and lax financial and administrative corruption, which has started to take unprecedented proportions, especially in the late stages of the life of the system. Socialism, is the best system for the distribution of income unchallenged, because the work insured lifelong and retirement, every citizen has the legal right to free education and free health services, and everyone is entitled to appropriate housing, but socialism fall in the same trap that warned, "Frederick Engels" century ago (the goal of our socialism is not equal distribution of poverty). Became practice in recent years of age only a system for fair distribution of poverty.(Ali, 2003).

The plan became as a constraint to social and economic development and the rigid supervision over the life of the basic nature appointed constant movement and change. The law of providing work for all, possible under the circumstances of the advancement from the clutches of underdevelopment in the agricultural economy and the shift towards the expansion in manufacturing, but it has become impossible and even an impediment to economic growth when it became incompatible with the escalation vertical of modern technologies in production where served machine daily workplace unskilled or semi-skilled workers, (Al-Nasrawy 1995). While the question of excessive convergence in the level of income obtained, killed practically incentive to hard work and creativity, in the intermediate stages and final age of socialism, you see for example, that waiter at the restaurant can earn an income equivalent to what gets an Engineer or university professor. It can be concluded that this type of countries, came for the first time not through the natural evolution of societies, and the accumulation of experience in gradual and slow evolutionary format, but the events of the Cold War between the two systems proved that the collapse of socialism is not easy, so it stood, in front of the challenges of the Cold War, until about endings eighties of the twentieth century, it was weakening from the inside by opposes domestic laws of socialism with the real possibility of the development new problems. Failed in the late stages of its existence for catching up with the rising capitalist development, in the growth rates of national income and improving standard of living for individuals, and strengthen the role of science and technological progress. This, in addition to the large gains in capitalist countries in the social aspect. The growing conditions of personal freedoms and enhancement the activity and individual creativity.

The end of socialism as a system and as a form of the modern state, Cannot be considered as the end of the era, because the global impact of its legacy, both in the important achievements that came in, the property system and equitable distribution of income, or in achieving civil peace, in spite of the multiple disadvantages that contained in the style of socialist rule. It can be assumed too, that the capitalist system is not the end, and cannot be denied the case, of the dramatic changes that occur on the internal dynamics of every day. Finally noticed a very clear that the or governments institutions and authority which constitutes the essence of the state system and since the emergence of old and primitive powers until the advent of contemporary states, had passed severe aliasing line and bending in its relationship to the economy. Sometimes that the non-existent relationship or almost non-existent in the beginnings entrenched at the foot of power, to comprehensive stifling possesses both economic and politic in the socialist countries and those who founded the totalitarian regime similarly, but the relationship gone between tensile and relaxation

in all capitalist countries or those that follow suit, it is apparently gaining some setbacks to the farthest incursion into intervention in the economy, especially in some of the phenomena that occurred after the mid-twentieth century, but in general, state remains creeps into the economy despite the fact that the quality and shapes of this intervention may vary. The lesson of the divers forms of government intervention in the economy, the depth and diversity, is to get the best results from investing in projects, or providing services to the best quality and less cost. This was not the obsession of State and Government in ancient times, as well as not occurring in the heads of arbitrators the tyranny States military or repressive, but the services state, the welfare state, and the state, which is building a science and technology as a target on its agendas (Susanna 1986).

THE ECONOMIC ROLE OF THE STATE IN CONTEMPORARY IRAQ

Since the founding of the Iraqi state, the Iraqi economy was a mixed economy, where the private agricultural sector share prevails in the production, and the intervention of the state in the economy played a minor role it just involved in some of the activities in the public services and infrastructure that has grown very slowly gradually in subsequent years. By the end of the seventies of the last century, it became almost all major economic activities of the Iraqi economy belong to the public sector, under the control of the state. In fact that this process had been gradually depending on the political circumstance, which was cast a shadow over the economic policies for most developing countries, which were the former colonies, where suffering of colonial legacy. With the successes of political and economic development of the Soviet Union and the socialist countries system at the time, to form a strong motivation for this group of countries to engage in the color of the economic construction, which was named "The period of national liberation?" Where independence has already seen a large number of countries in Asia, Africa and Latin America. Despite the novelty of the Covenant and the fact that some of this independence is incomplete, but it was on these countries to decide its fate and determine trends to build political and economic destinations. This stage of national liberation witnessed what might be called a general failure of the application or applications failure. These countries were ruled by a group of politicians who are new to power and the political administration and economic alike. The vast majority of the leaders of the ruling were military officers. Iraq was one of those countries that started building its economy by imitating the Socialist countries, (Al-Hafiz, 1971).

The beginning of the first steps was the nationalization of Iraqi petroleum resources in 1961 through Law No. 80, which grabbed 99.5 % of the land which was under the concession contracts for foreign Companies. In 1958 and immediately after the revolution of July 14th, the Iraqi government has conducted a series of intensive negotiations with foreign companies, the privileged years, too, was the founding of the national oil company in 1964. In 1967 all the land has been put under the oil operations at the disposal of the national oil company. In 1968 began the national oil company active in oil exploration and field development and production of crude oil. Along with local efforts, making use of foreign companies, whether service contracts or construction contracts or cooperative agreements with some countries. Between 1958 and 1968, We can see what the Iraqi economy still governed by the private sector, which includes the local private: the production of agricultural and industrial

production, trade, banking and insurance, services and contracting, which accounts for about 70% of GDP. Secondly the public sector : that includes the administration, services, transportation and irrigation and some industrial projects and small banking , which accounts for about 12% of GDP. Third was foreign private sector: and that includes at the oil and banking and insurance and foreign trade. Which constitute about 18% of GDP? This was the image of the public sector and its economic role that started as a small proportion then grows fast, compared to the actual participation in the economy. Started from under 12% by 1950, reached the size of 80% by 1980.

Table No. 4: Shares of the public and Private sectors from the Iraqi GDP

Years	GDP current prices(ID)	Public sector%	Private sector%
1950	305.8/ Billions	11.94	88.06
1960	548.0	18.36	81.64
1970	1139.8	26.21	73.79
1980	10265.4	80.50	19.50

Source : Ministry of Planning , the Department of National Accounts and annual statistical collections Absolute values converted from the dollar exchange rate on the basis of Iraqi dinar = \$ 3.39 .

The State now has about 192 companies belongs to the public sector distributed to industrial, commercial, agricultural, service and distribution. The public sector mentioned above in this period, taking about 80% of the Iraqi economy and contributes to employ more than 65 % of the labor force, industry does not contribute to GDP, by no more than 4.5% (except oil and gas), more precisely, all the public sector, including industrial and agricultural (excluding oil and gas) only contributes less than 10% of GDP. So even though it's so huge sector, but is inactive, with very low productivity, and no efficiency. Making losses. In its last budget the government spent \$3 billion a year just to pay wages and salaries. From this picture it seems that the Iraqi economy has become totalitarian in nature, has continued to this kind of state intervention in all aspects of the economy in the period that followed, that the proportionality between the comprehensiveness of the state sector remained the same, even strengthened in some aspects, but the only difference is that the economy in the period from 1980 to 2003, was weakening and declining , streaked imbalances and the greatness of foreign debt as consequences of the wars waged by the regime.

On the ninth of April 2003, the dictatorial regime in Iraq was overthrown, at the hands of the armies of the international coalition, which was formed under the leadership of the United States. And on May 12 after a nearly three weeks, U.S. administration headed by President George W. Bush sent Ambassador "Paul Bremer" as a temporary ruler of Iraq. In mid August of that year "Thomas Foley" was commissioned by former U.S. President George W. Bush, to start the task of privatizing the Iraqi economy.(Pual, 2006). He was determined to privatize all state-owned Iraqi public sectors within thirty days. To say that the whole process has failed and been undone, Iraqi economy had not been sold, not in thirty days and not in ten years. Alan Beattie wrote in the Financial Times on 22 September 2003 objecting and recalling that this kind of economic change, which belong to the mid- nineties of the twentieth century the so called "shock therapy" promoted by the International Monetary Fund and the World Bank (it was President George W. Bush and his advisers that should pay close

attention to this historical experience that was happening and not to try to apply this failed experiment again on Iraq). The odd thing which deserves attention is that the period following the political changes in Iraq beyond 2003 and so far to 2013 around ten-years those successive governments have not been able to bring about important changes in reducing state intervention in the economy or promoting the diversification of sources of income,(World bank Reports).

Table No. 5: The relative importance of the public sector and private sector in the composition of Iraqi GDP

Years	GDP current prices(ID)	Private sector%	Public sector%
2010	188.5 Trillions	26.4	73.6
2011	211.3	28.2	71.8
2012	245.2	30.8	69.1

Sources: the Department of National Accounts and annual statistical collections. \$=1116 ID.

Despite the new constitution that, dictates the economic restructuring, by mitigating the role of the public sector, and enhancing the role of the private sector and to diversify the economy, still the size of the public sector controlling the economy by more than 69%. Here we conclude that what is happening in Iraq is the exact opposite of what happened in China, from where China has reached building an economic system based on a market economy and competition, while maintaining the authoritarian political system. But Iraq is undergoing building a democratic political system with a totalitarian structure of the economic system. Research and exploration in the pages of history, examining the experiences of other Nations, useful in lighting the hard way that Iraqis facing today in order to build the foundations of a modern state, (Iraqi Statistics Office Reports).

CONCLUDING REMARKS

We must diagnose here the major conclusions about state intervention in the economy in the light of those historical experience transverse folds in the search that mainly concerned Iraq.

1. Government intervention has become a feature of economics of the modern era and is a must and cannot be dispensed with.
2. The type and extent of that intervention depending on the level of economic development of the country on research.
3. It became clear to us from the data reviewed that the most effective government intervention is the one who keeps the market system, and find new mechanisms and formulas uninhibited of the coexistence of two types of economy smoothly.
4. We should learn from modern history replete with rivers of experiences in this regard and from the countries which succeeded in their economic transition, a country like Iraq should benefit from learning the lesson.
5. The state of Iraq today must permanently exit from some economic activities and engage in other appropriate in the light of experiences witnessed.
6. The State in Iraq has to make the most of the successes achieved by the group of countries in East Asia, in terms of market economy policies on the one hand and economic development leadership of the other.

7. More accurately we can say that wisdom requires the state in Iraq to exit from the production and distribution sectors, which are still monopolized now by the public sector that led to a poor fruits of productivity or efficiency.

REFERENCES

- Al-Hafiz, Safaa (1971) The public sector and the prospects of socialist development, Dar Al-Farabi, Bagdad.
- Ali Zainy Muhammad-Ali (2003) Iraqi economy, past, present, and future options, Al-Rafid Ltd, London.
- Al-Khafaji Isam (1983) State and capitalist development in Iraq, 1968-1978, Dar Al-Mustaqbal Al Arabi, Cairo.
- Al-Nasrawy Abas. 1995, Dar Al qunooz Al adbie, Beirut.
- Alsayed, Dr Abdul Jaleel, 2009 The State and the Transitional period in Iraq, Aklam Hurra, London.
- Friedman Milton, 1982, Capitalism and freedom, Uni. Of Chicago press, USA.
- Hutton, Will (2007) China and the West, Penguin, London.
- IMF Annual Reports, www.imf.org
- Inati, Shams (2003) Iraqi History, People and politics, Humanity books, London.
- Iraqi National Statistics office, year Book, (1950-2012).
- Paul, (2006) My year in Iraq, Threshold Edditions, New York.
- Sachs, Jeffry (2005) The end of poverty, Penguin, USA.
- Samuelson, Paul A. (1976) Economics, McGraw Hill Kogakusha Ltd, Tokyo.
- Smith, Adam (1999) The wealth of nations, First book, new addition, London.
- Stewart Michael 1976, Keynes and after, Penguin, London.
- Stieglitz, Joseph (2000) Economics of the Public sector. Norton and company, London.
- Stieglitz, Joseph (2002) Making Globalization work, Penguin Books, New York.
- Susanna, H. (1980) Government institutions in developing countries, Progress Publishers, Moscow.
- Tolbanov Q. J. (1974) The Political Economy of developing countries, Progress Publishers, Damascus. translation Matanius Habib.
- World Bank. report, 1995, 2000, 2005, 2010.