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GOVERNMENT INVOLVEMENT IN THE ECONOMIES
OF DEVELOPED AND DEVELOPING COUNTRIES:
THE CASE OF THE UNITED STATES
AND IRAQ

THESIS

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Although the government role in the economy has extended to include various sectors of the economy, there are still problems of the causes of government involvement and how such involvement is related to the structure and function of the industrial government. The purpose of this study is to test the government involvement phenomenon both theoretically and empirically. The study compares two approaches to the government theories. The first approach deals with theories of capitalism and focuses on the function of the government methods as they are observed. The second approach deals with theories of the capitalist government and focuses on the functions and the form of the government as deduced from the historical analysis.

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CHAPTER I

INTRODUCTION

Background and Significance of the Study

The phrase "the government intervention (G.I.) in the economy" summarizes a relatively new concept of the government functions and of the relationship between the government and economy. Until recently people thought economic management unnecessary and saw little scope for G.I. of any kind. The economic system was thought to be largely self-regulating and more likely to prosper under free competition than under government supervision. Consequently, the government was neither a large employer nor a large spender, nor did it feel any obligation to raise large sums of money through taxation.

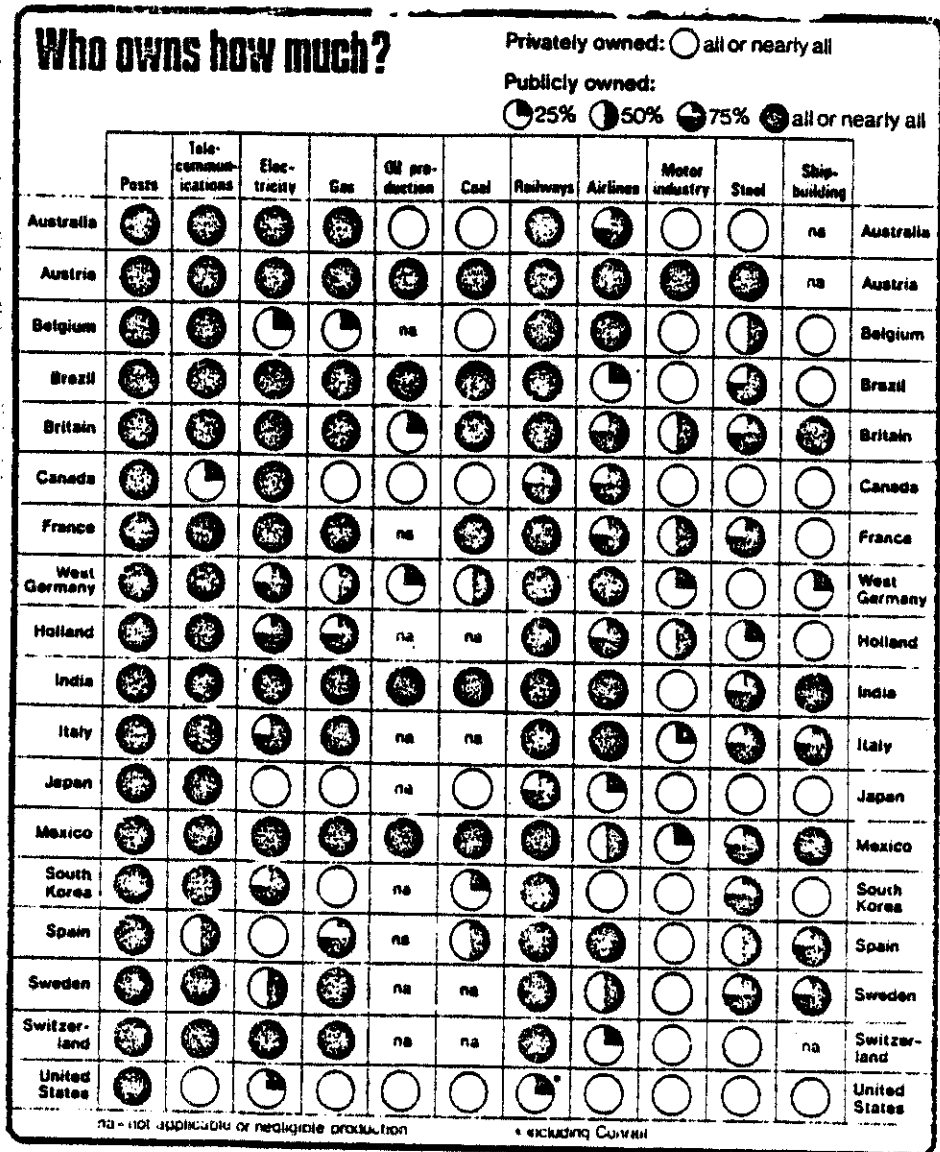
In the last few years, the role of the government has steadily expanded as it has assumed more and more control, taken an increasing proportion of the working population on its payroll, and enormously extended the range of its current spending and capital investment.

The notion of G.I. first came in with the ideas of Keynes for both currency and demand management. Involvement in this sense was seen as concerned primarily with stabilization policy and with the short-run since stability is by definition a short-run affair.

But G.I., as now practiced, has other quite different origins. The emergence of the welfare state enormously extended the scope of government and brought about not only a large increase in public expenditure on health, education and housing, but also an equally formidable increase in social security benefits, pensions, family allowances, grants and transfer payments of all kinds. Another aspect for the emergence of G.I. is the growth of big business. The bigger the average size of business, the more organized and planned it is, rather than left to the operation of market forces.

On the other hand, the nationalization of a large sector of industry brought formally under public control what previously had been part of the private sector. For example, the government in Western Europe has partial ownership in 19 of the fifty of the largest European companies. Not only does Government-held industry account for more than twenty-five percent of all investment in Sweden, but also fifty percent in Austria and thirty-five percent in Italy.

In the majority of European countries the coal, steel and petroleum industries are partially or totally nationalized (Figure 1 and Table 1). Automobiles, airplanes, chemicals, paper, textiles, ships, aluminum, electrical and non-electrical machinery, and electronic goods are additional products of government enterprises. In France,



Source: Economist, Dec. 30, 1978, p. 39.

Fig. 1. Comparison of privately and publicly owned industries in different capitalist states

TABLE I

THE STATE AS BOSS IN DIFFERENT CAPITALIST STATES

EMPLOYMENT IN THE PUBLIC SECTOR*, % OF LABOR FORCE		
	Public Enterprises	Total Public Sector
Austria	13.7	33.0
Belgium	5.2	19.6
Britain	8.1	28.5
Denmark	3.4	18.7
France	7.3	21.0
West Germany	7.2	20.6
Holland	3.6	16.6
Ireland	7.3	12.8
Italy	6.6	18.5
Japan	2.8	12.9
Spain	2.9	na
Sweden	8.2	29.6
United States	1.5	18.8

Sources: European Centre for Public Enterprises (CEE),
OECD, national statistics

Economist, Dec. 30, 1978, p. 40

*Countries' definition of public sector vary

Italy, Great Britain, Austria, Mexico, Brazil and India, the largest industries are government-owned.¹

Statement of the Problem

The fact that the contemporary government is an interventionist one has not been disputed. There is, however, much argument about what causes government to be involved in the economy and how such involvement is related to the structure and functions of the industrial government. For example, within the pluralist paradigm the core function of the state is to achieve consensus and thus social order through continuous exchanges of demands and responses by social groups and government and a continuous sequence of a bargaining process. Consequently, G.I. in the economy is an undesirable and dysfunctional expansion of the traditional state functions of mediating social conflicts and maintaining the basic conditions of social order and economic growth. Within the elite paradigm, the core function of the government is the maintenance of domination by existing elites. According to this liberal-bureaucratic or elite paradigm, the growth of G.I. is a necessary choice response to the increasing complexity of the tasks of coordinating the industrial economy. Within the class paradigm the core function of the state is the reproduction and management

¹Kenneth D. Walters and R. Joseph Morsen, "State-owned Business Abroad: New Competitive Threat," Harvard Business Review, March-April 1979, p. 162.

of existing class relationships. G.I., according to this paradigm, simultaneously performs not only the functions of maintaining capital accumulation but also of obscuring that function by legitimizing state activity as a solution to social problems.²

Regarding the capabilities of each of these three paradigms, it is generally recognized that the only truly self-aware studies of the form of the capitalist government are to be found in the Marxist literature. Neo-Marxist "theories at least raise the right order of issues and establish some of the analytical terms necessary for understanding the changing modes" of government intervention.³ Nevertheless, the concept of system contradiction as applied to the role of the capitalist government is as such still descriptive and requires further theorization that helps in providing further conceptual grounds for approaching the G.I. phenomenon.

Based on the above discussion, the major assumption of this paper is that conceptualizing the changing modes of G.I. in connection with the changing nature of capitalism and the economy is essential for analysis of the contemporary functions of the capitalist government. Also, in this paper I hypothesize that the form of the capitalist

²Leon N. Lindberg (ed), Stress and Contradiction in Modern Capitalism (D.C. Heath & Company, 1975), p. 148.

³Theda Skopol, "Political Response to Capitalist State: Neo-Marxist Theories of the State and the Case of the New Deal," Politics and Society 10, no. 2 (1980), p. 158.

state as well as its strategies of involvement (i.e. state functions) will alter as conditions of capitalist development change.

Given the above assumption and hypotheses, the objectives of this paper will be summarized as follows:

1. To give a critical review of the role of the state in the economy of industrial societies. The ultimate goal at this step will be to find out a theoretical framework that is capable of

a. answering some important related questions such as why government is involved in the industrial economy and how such involvement is related to the structure and functions of an industrial society; and

b. measuring the change in a society's structure and functions over a long period of time and/or comparing these structures and functions of different capitalist societies;

2. Using the suggested framework to compare the extent to which the government intervenes in the economies of two different countries--the United States and Iraq.

Definition of Terms

The two terms which are of particular relevancy to the topic of this paper are the government and government intervention.

What is Government?

Government or state is defined by Jessop as an institutional system of political domination, embodying both modes of political representation and means of intervention in capital accumulation and class conflicts, having definite effects in these respects, but which is not essentially capitalist.⁴ The government is a capitalist government insofar as its structural connections with the capitalist economy and its own internal structures and modes of operation serve to secure the conditions of existence of capital accumulation.

Government Involvement

The word involvement is somewhat loaded in meaning. It can imply to a person on the right that an economy ought normally to be run on a free enterprise system, and therefore the government is involved for particular reasons. Someone on the left might argue that the norm is collectivism and private enterprise and that the government can be allowed in certain cases to intervene.

Since I am interested in studying the state functions in capitalist societies, where it is generally assumed that the private enterprise is the norm, the term involvement can be very widely defined as the role performed by the government in relation to non-government areas of social

⁴R. D. Jessop, "Remarks on Some Recent Theories of the Capitalist State," Cambridge Journal of Economics, 1 (1977), p. 253.

structure. From an economic standpoint this definition covers both the macro as well as micro level of economy.

CHAPTER II

THE THEORETICAL ANALYSIS OF GOVERNMENT INTERVENTION

Previous studies of the government intervention (G.I.) have tended to adopt one of three approaches.⁵ First, there is a "subjectivist" approach, which seeks to locate who has power in society. Studies of the power elite and pluralism fall under this heading. Secondly, the "economic" approach has attempted to describe a representative theory of democracy based primarily upon exchange relationships in society. Thirdly, and in profound contrast, is the "historical-materialist" approach, which views the government as one component of the ongoing social process of production and reproduction.

Both the economic and subjectivist approaches are modes of analysis which address the functional aspects of the government. The latter describes the structure and characteristics of the distribution of power in society and in whose interest power is wielded. While the economic approach describes the exchange relationships between groups with qualitatively different kinds of power, the historical materialist approach is the only one derived from Marxist theory

⁵G. Therborn, What Does the Ruling Class Do When It Rules? (New Left Books, London, 1978), pp. 130-131.

and practice, which plunges more deeply into the structure of social relations in order to explain why power is distributed in the observed manner, and why it is wielded in the interests of certain groups. In summary, the historical-materialist approach is concerned with the derivation of the form of the government as well as its functions.

Based on the above distinction, it has been suggested that these modes of investigation which focus on government role can be characterized as theories of the government in capitalism. Conversely, those modes which focus on form and function can be characterized as theories of the capitalist government.⁶

The Government in Capitalism

Theories of the government in capitalism focus on the functions of the government apparatus. Four particular characterizations of the government have been suggested, based upon different functional interpretations of the government's role.⁷ These identify the government as

1. "supplier" of public or social goods and services;
2. "regulator and facilitator" of the operation of the marketplace;

⁶G. L. Clark and M. J. Dear, "The State in Capitalism and the Capitalist State," Discussion Paper D78-18, Department of City and Regional Planning, Harvard University, Cambridge, Mass., Sept 1978, p. 4.

⁷G. L. Clark, "The State and Geographic Process: A Critical Review," Environment and Planning A, 10, 1978, pp. 173-183.

3. "social engineer," in the sense of intervening in the economy to achieve its own policy objectives; and

4. "arbiter" between competing social groups or classes. (See Figure 2.)

Although it is analytically convenient to distinguish among these four viewpoints, the categories are by no means mutually exclusive. There is a considerable overlap and certain categories may subsume others.

The State as Supplier of Public Goods

Perhaps the simplest view of the government is as a supplier of public goods and services. Three particular reasons for public-good provision are normally noted:

1. the existence of external effects associated with a particular good;

2. other kinds of market failure which are unrelated to the good's characteristics (for example, monopolistic tendencies); and

3. a preference for certain standards in community affairs.⁸

Public-good provision is best regarded as an allocative function of government. The analytical tasks in the allocation problem focus upon the proper criteria for government

⁸V. Ostrom, C. M. Tiebout and R. Warren, "The Organization of Government in Metropolitan Areas: A Theoretical Inquiry," American Political Science Review, 55 (1961), pp. 831-842.

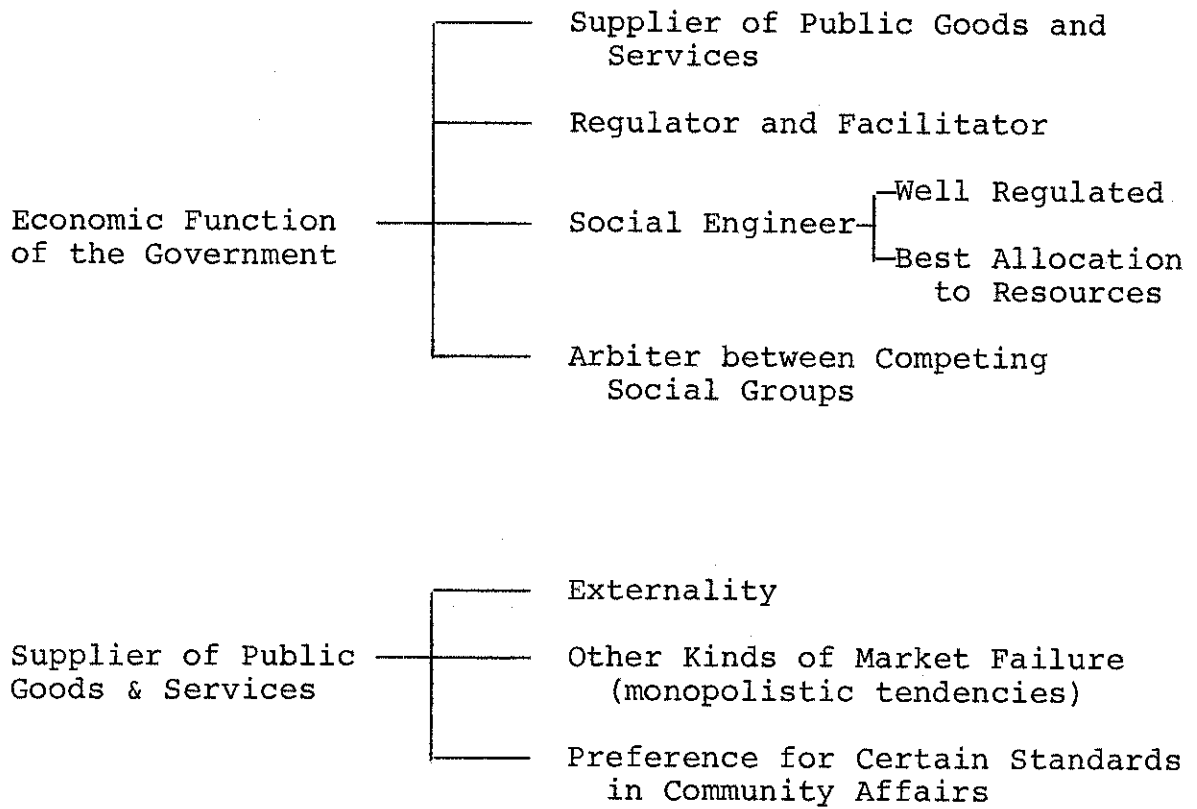


Fig. 2. Common Aspects of the Functional Approach

involvement, and the optimal allocation rules for public-good provision.

The Government as Regulator and Facilitator

The government may also be viewed as an instrument through which the operation of the private market is regulated and facilitated.⁹ The government's involvement to maintain the market is based on two assumptions. First, that a well-regulated and efficient market will create the best possible allocation of resources; and secondly, that the market may not inevitably achieve optimal conditions and systematic equilibrium. In this regard, the Keynesian revolution recommended the government to assume responsibility for stabilization, and to maintain the market's efficiency through its use of fiscal, budgetary, monetary and competitive policies.

Stabilization, of course, may not be the only measure involved in regulating the economy and marketplace. The use of government policy to enforce market regulation has also been important (i.e. through anti-monopoly and antitrust legislation). In short, the possible scope of this role is limited to maintaining the rules of the market game, which are themselves often derived from the neo-classical competitive model of the economy. This may involve government involvement to improve information flow both in time and in

⁹L. S. Bourne, Urban Systems: Strategies of Regulation (Oxford University Press, Toronto, 1975), pp. 208-220.

space as well as involvement designed to facilitate growth and competitive development.

The Government as Social Engineer

A significant element in the government's behavior in modern capitalist economies is in adjusting market outcomes to fit its own normative policy goals. Such a role involves judgement about what society ought to be rather than what it is. This is an important difference, since distribution itself becomes an element of legitimate concern for the government. Thus the government may operate to insure distributive justice, although this is qualified by the acceptance of the market as the means of distribution. In this regard, the government as social engineer seeks to redress socio-economic imbalances and maintain fairness for disadvantaged groups in a market society.¹⁰

The Government as Arbiter

The notion that the government holds a mandate to adjust outcomes in favor of particular social groups suggests a view of the government as arbiter of inter-group conflicts in a society. Considerable ambiguity surrounds the possible approaches the state may adopt in its mediation process. Dye, for example, has summarized five simple models of public decision-making. Government arbitration

¹⁰J. Rawls, A Theory of Justice, Harvard University Press, Mass., 1971, pp. 260-262.

can be viewed as

1. rational, that is, based on some logical criterion of choice;
2. incrementalist, being founded mainly in slight shifts in position from existing practices;
3. elitist, reflecting the interests of the ruling power groups;
4. group biased, implying some genuine efforts at compensation amongst all interested parties; and
5. institution based, suggesting that the government may act in its own interests and may possess hidden objectives in entering group conflict.¹¹

Whichever view or combinations of views are eventually accepted as descriptive of the government's arbiter role, the change of emphasis from decisions in the marketplace to decisions in the political forum is an important distinguishing characteristic of this concept.

The Industrial Government

Theories of the capitalist government are those which focus on the form as well as functions of the capitalist government. Although there are different paradigms that describe the government-society relationship, it is generally recognized that the only truly self-aware studies

¹¹T. Dye, Understanding Public Policy, Prentice-Hall, Englewood Cliffs, N.J., 1972, pp. 20-33.

of the form of the capitalist government are to be found in the Marxist literature. Pluralism, for example, attempts to explain governmental decisions in terms of conflicting play of organized group interests in society and as such is not well equipped to explain major institutional transformation in history.¹²

An attempt is made here to systematize the contemporary debate on the capitalist government by pursuing three themes:

1. the classical Marxist theory of the government;
2. the neo-Marxist debate; and
3. the new trends in the theory of the state.

The Classical Marxist Theory of the Government

The point of departure for all studies of the form of the capitalist government is to analyze the genesis and development of the government with respect to the wider set of social relations from which it derives. The historical materialist methodology thus proceeds by analyzing the relationship between the industrial government and the form of production in industrial society.

Classical Marxist theories view the capitalist government as fundamentally the coercive instrument of the ruling class. In his review of Marxist theories of the government, Jessop concludes that nowhere in the Marxist classics do we find a well-formulated, coherent and sustained theoretical

¹²T. Skopol, pp. 157-158.

analysis of the state. However, Jessop at the same time points out that these early texts contain much historical insight and form the basis for later, more rigorous analysis.¹³

Neo-Marxist Theories

Recent Marxist research has attempted to extend the understanding of the function of the government in capitalism. Within the framework of the Neo-Marxist theory, three approaches have evolved

1. the instrumentalist, in which the links between the ruling class and the government elite are systematically described and analyzed;

2. the structuralist, which examines why the state functions particularly with respect to class conflict and contradictions inherent in the system; and

3. the ideological approach which places emphasis on the consciousness and ideology through which the state pursues class exploitation and control.

Miliband's work is probably the best example of the instrumentalist approach. He explores the conspiracy between the ruling class and the government's bureaucratic elite. This conspiracy has as its objective the maintenance of the system and the development of the primary institutions to serve the capitalist interest.¹⁴ The focus

¹³ R. D. Jessop, pp. 353-374.

¹⁴ R. Miliband, The State in Capitalist Society (New York: Basic Books, 1969), p. 22.

of this approach has been to document the extent of the government links. Little attempt has been made to clarify whether the direct participation of the ruling class in the government is a cause or effect.

In contrast, the structuralist view is that the functions of the state are broadly determined by the structure of the society itself, rather than the people who occupy positions of power. For Poulantzas, the direct participation of members of the capitalist class in the government apparatus and in government, even where it exists, is not the important side of the matter. The relation between the capitalist class and the government is an objective relation. This means that if the function of the government in a given society and the interests of the dominant class in this society coincide, it is by the reason of the system itself.¹⁵ Also in Poulantzas' view, capitalists do not need to staff the government apparatus directly; nor must they put deliberate political pressure on government officials. Even without such active involvement, capitalists will still benefit from the government's activities, for the government by definition is the factor of cohesion of a social formation and the factor of reproduction of the conditions of production of a system.¹⁶ Government involvement will, in

¹⁵Nicos Poulantzas, "The Problem of the Capitalist State," in Ideology in Social Science, ed. Robin Blackburn (New York: Vintage Books, Random House, 1973), p. 245.

¹⁶Ibid, p. 246.

other words, necessarily function to preserve and enhance the conditions for capitalist economic activity. Consequently, the government, according to this approach, is not an autonomous entity, but reflects the balance of power among classes at any given point of time.

Finally, the ideological approach reflects a wider concern with the ideology and mystification of capitalist reality. In the ideologist's opinion the government is "a mystification, a concrete institution which serves the interests of the dominant class, but which seeks to portray itself as serving the nation as a whole, by obscuring the basic lines of class antagonism."¹⁷

The key to resolving the respective merits of these three approaches is definitional. In other words, what exactly is the government? Poulantzas has usefully polarized the debate by clarifying the distinction between the government as "subject" and as "object." The subject viewpoint is structuralist. Such a viewpoint argues for a materialist theory of class relations, with the government signifying one dimension of those relations. In contrast, the object viewpoint implies an instrumentalist view of the government. The government, according to this approach, is an autonomous institution which is effectively captured by the ruling class and, hence, becomes the object and tool of class control and repression.

¹⁷Jessop, p. 357.

New Trends in the Theory of Government Involvement

It has become apparent to many theorists that the instrumentalist perspective is simply inadequate as a guide to understanding the governmental role in industrial society. While some government policies may be the outcome of control by business capitalists, it is impossible to see how the complex apparatus of the government can be understood adequately in a model which sees policy outcomes primarily in terms of class conscious manipulation by the ruling class. But the structuralist alternative is also inadequate, because while it does situate the formation of policy in the context of the functioning of the capitalist system as a whole, it generally does not explain the social mechanisms which actually generate a class policy that is compatible with the needs of the system. Finally, the ideological approach is inadequate because it is so highly abstract that it is difficult to use in the analysis of a particular historical situation. In addition, the centrality it places on consciousness often tends to undermine the materialist basis of Marxist theory.¹⁸

Many of the new departures in the theory of the state have tried to overcome these weaknesses. Two of these important trends, offered by Claus Offe and James O'Conner, will be discussed briefly in the following section.

¹⁸Clark and Kear, pp. 15-17.

The Internal Structure of the Capitalist Government

Offe's major theoretical work on the government begins with the question: How can we prove the class character of the capitalist government? How can we demonstrate that it is a capitalist government and not merely a government in capitalist society? From the start, he rejects both the instrumentalist and the structuralist approaches to this problem. Both of them, Offe argues, only examine the external determination of state activity. The instrumentalists explain the state in terms of external manipulation of the state apparatus by the ruling class; the structuralists explain the state by the external constraints which limit the scope of possible government activities. But in neither case do they provide a theory of the mechanisms within the government which guarantee its class character.

The key concept Offe introduces to understand the internal structure of the government is "selective mechanisms."¹⁹ These constitute a wide range of institutional mechanisms within the state apparatus. In his discussion of such selective mechanisms, Offe distinguishes between:

1. negative selection, the selective mechanisms systematically exclude anti-capitalist interests from government activity; and

¹⁹D. A. Gold, C. Lo, E. O. Wright, "Recent Developments in Marxist Theories of the Capitalist State," Monthly Review, 27, 6 (November 1975), p. 37.

2. positive selection, the policy which is in the interests of capital as a whole is selected over policies serving the limited interests of specific capitalist groups.

In his discussion of negative selection, Offe specifies four general levels of mechanisms which operate as a hierarchical filter system: structure, ideology, process and repression. Each level excludes possibilities which have not yet been screened out by the previous levels. Structural selective mechanisms refer to the broad limits of possible governmental actions defined by the overall structure of political institutions. In particular, Offe emphasizes the importance of constitutional guarantees of private property which exclude a wide range of anti-capitalist policies from entering the agenda of government activity. Of the many issues not excluded by the structure of political institutions, ideological mechanisms determine which are actually articulated and perceived as problems to be solved. Some potential policy options become non-events because they are not in the realm of acceptable discourse, and therefore some decision-making rules are required. Every procedural rule creates conditions of being favored, or conversely being excluded, for certain topics, groups, or interests. Finally, the repressive apparatus of the government excludes given alternatives through direct action.²⁰

²⁰Ibid, p. 38.

Offe's analysis of positive selective mechanisms raises a variety of additional issues. He argues that contradictions internal to the government interfere with the government's development of an effective policy in the interest of capital as a whole. The government engages in two types of positive activities which Offe calls "allocative policies" and "productive policies."²¹ In both of these the government plays an important role in providing the necessary conditions for continued capital accumulation. In the former, the government merely coordinates and regulates the allocation of resources that have already been produced; in the latter, the state becomes directly involved in the production of goods and services required for the accumulation process.

In the case of purely allocative policies, the government does not need to adopt a truly optimal policy from the point of view of capital as a whole. Most allocative policies have, therefore, been formulated by capitalist interest groups which influence the government through the mechanisms described by the instrumentalist writers. As monopoly capitalism develops, the contradictions in the accumulation process push the government into direct involvement in production. As the government directly produces more and more of the conditions of accumulation, it becomes

²¹See Claus Offe, *The Theory of the Capitalist State and the Problem of Policy Formation*, in Lindberg (eds.), pp. 127-134.

increasingly important that the government's policies be rational from the point of view of capital as a whole. Such policies cannot be left to the give and take of competing capitalist interests, but must be planned to serve the collective capitalist interest.

The Theory of the Fiscal Crises

James O'Connor presents a theory in an attempt to explain the fiscal crisis, the observed tendency of government expenditures to grow faster than revenues in contemporary American society. His theory consists of three basic elements.

First, the recognition of accumulation and legitimation are two contradictory functions that capitalist government must perform. The government tries to keep peace and harmony, while supporting the accumulation of private capital. Since accumulation is crucial to the reproduction of the class structure, legitimation necessarily involves attempts to mystify and to repress or manage discontent. Both accumulation and legitimation are translated into demands for government activity. But while this implies an increase in government expenditures, the revenues for meeting these needs are not always forthcoming, since the fruits of accumulation (greater profits) are not socialized.²²

²²James O'Connor, The Fiscal Crisis of the State, (New York: St. Martin's Press, 1973), p. 6.

Secondly, the government is known as an integral element in the accumulation process. O'Connor divided the economy into three sectors. The growth of the monopoly sector depends on the expansion of capital and technology. It is the prime accumulating of the economy. The competitive sector grows on the basis of the expansion of labor power which has been "freed" by accumulation and growth in the monopoly sector. Thus, unlike other Marxist analyses, the competitive sector does not necessarily decline with accumulation, but expands because of the growth process in the monopoly sector.

Finally, the government sector includes production organized by the government itself, such as education, and production contracted out to private sector such as military equipment. Neither type of production is subject to market discipline. One result is low productivity and inflationary tendencies within the state budget.

The third element of O'Connor's scheme concerns the relationship of specific items of government expenditure to the accumulation and legitimation functions of the government. Social capital expenditures are those that aid accumulation by private capitalists. Social insurance, which helps reduce the reproduction costs of labor power, and state financed industrial development projects, which increase the productivity of a given amount of labor, are two examples. These expenditures do not directly produce

surplus value but they aid private capitalists in their attempts to increase the total amount of surplus value and are thus indirectly productive. On the other hand, "social expenses" are those expenditures which may potentially reduce certain kinds of losses to capitalists (as in riots). They do not contribute, even indirectly, to the expansion of the pool of surplus value.

One of the main results of O'Connor's analysis is that the government loses much of its superstructural character. The government is increasingly involved in accumulation, not just to protect the conditions of accumulation, but to participate actively in the creation of these conditions.

CHAPTER III

A CONCEPTUAL FRAMEWORK FOR THE DEVELOPMENT OF CAPITALISM AND MODES OF GOVERNMENT INTERVENTION

To clarify the relationship between the state of capitalism development and the modes of government intervention, some concepts relevant to the government-economy relationship, as explained by different government theories, need to be considered. First, the notion of state capitalism, laissez-faire, and interventionism are intended to designate the overall complex factors involved in the government-economy relationship. Government capitalism arises in underdeveloped capitalist countries; the government, when determining the society's social relations, sets itself apart from society in order to impose its will on it. It is obvious that the will of the government should be identified with the needs of society, if only because the government is dependent on it. This dependence forces it to act as a government in the traditional manner, i.e., to employ coercive means to maintain and secure its own material conditions of existence.²³ Laissez-faire refers to forms of government intervention whereby the government provides the

²³Paul Mattick, Economics, Politics and Age of Inflation (New York: M. E. Sharpe, Inc., 1978), p. 100.

limited but essential external conditions for capital accumulation and economic processes, rather orienting its action to preclude such a possibility. Interventionism refers to forms of government intervention whereby the government directly intervenes in capital reproduction, becomes internally involved in the economy, and orients its action to secure such interventionism.

Secondly, this formulation can be extended, supplemented, and made more secure if we consider in turn the other conceptions advanced. The distinction between force, allocation and production refers to the methods by which the government intervenes in the economy. By force we mean the coercive, nondemocratic means used by the government when deciding upon the alternative allocations of society resources. Allocation, in Offe's terms, conceptualizes intervention whereby the government allocates resources (e.g. taxes, repressive force) which it already controls. Furthermore, decisions over allocations are reached as a result of politics, of direct political struggles between competitive interests. In this respect, it is important to note that Keynesian economic policies, the management of aggregate demand through government-owned resources like taxation and expenditure, exemplify government allocative functions. Finally, production refers to means whereby the government actually produces inputs for capital accumulation to ensure its continuity. In

this case, politics as a struggle of competing interests is no longer adequate for these functions and the state has to "produce" its own policy decision-making rules and organizational forms appropriate to such productive functions.²⁴

The next set of distinctions is concerned with the strategies that can be adopted by the government toward capital accumulation.²⁵ Four strategies can be delineated in this respect. First, in the case of the capitalist underdeveloped countries, the government's strategic goal may be described as the inception of capitalism (i.e., establishing the structure of the government's economy). Secondly, the government can choose inaction, it can do nothing and orient policy to secure the minimization of its intervention. Third, the government can be protective, providing subsidies, and so allowing nonprofitable firms to survive under artificial conditions created by the government until they can be returned to the accumulation process. Since this tends to produce fiscal crisis, the increasingly dominant strategy adopted by the capitalist government is administrative in nature.

The types of strategies distinguished above can be easily attached to the functional effects of government intervention in terms of its relation to the economy.

²⁴Offe, pp. 128-129.

²⁵C. Offe, V. Ronge, "Theses on the Theory of the State," New German Critique, 1974 (6), pp. 137-147.

First, government functions in this sense can be creative, aiming at providing the environment necessary for economic development. Secondly, government functions can be facilitative, allowing economic processes to take place but strictly limit the role of the government in these processes. Third, government functions can be supportive by protecting the economy. Finally, the government functions can be directive, subjecting the economy to government direction by its intervention into decision-making processes affecting the production of economic structures.

Quite clearly, the conceptual distinctions outlined above are connected in that they collectively define the general forms and functions of the capitalist government. Consequently, it may be suggested that force means inceptive strategies and creative functions which are characteristics of the capitalist underdeveloped state. Conversely, allocative means, inactive strategies, and facilitative functions are characteristics of the laissez-faire government. Finally, productive means, administrative strategies and directive functions are characteristics of the interventionist government.

Now, one final question needs to be answered before the government-economy conceptual framework can be presented: What is the relationship between the two approaches of government theories--the functional approach and the historical-materialist approach?

As I discussed before, functional theories of the government tend to focus upon the government functions as they are empirically observed. The most common observed functions, according to this approach are:

1. the government as supplier of public goods and services;
2. the government as regulator and facilitator;
3. the government as social engineer; and
4. the government as arbiter amongst conflicting group interests in society.

Materialist theories of the government, on contrast, focus on both the functions and the forms of the government as they are concluded from the historical analysis. One important advantage of the materialist approach, which is relevant to the purpose of this paper, is its emphasis upon the form of the government can be expected to alter as conditions of capital accumulation change. Hence, strategies as well as government functions will also change.

Although there are many essential differences between the two approaches, it seems to me that they are complimentary rather than mutually exclusive for the following reasons:

1. Observing the government functions at a given point of time may be used as an empirical test in order to validate these functions as concluded from the historical analysis.

2. The government as a supplier of public goods and services and the government as regulator and facilitator in the functional theories, correspond to the allocative mode in the materialist theories. On the other hand, the government as a social engineer, in the functional theories, corresponds to the productive mode in the materialist theories. Finally, the government as an arbiter may be conceived as some high-order set incorporating both the allocative and productive modes in the materialist theories.

Having all of the above considerations in mind, the government-economy relationship can be depicted as shown in Table II.

TABLE II

The Development of Capitalism and
Modes of Government Intervention

Government Form and Problems	Government - Economy Relations		Supplier Regulator Social Eng.
	Intervention	Strategic Goals of Intervention	
Government Capitalism (Accumulation)	Force	Inception of Capitalism	Creative
Leissez-Faire (Absolute surplus, business cycles, unemployment)	Allocation	Inaction	Facilitative Regulator
Interventionist (Relative surplus, profitability crisis inflation)	Productive	Protective and Administrative	Supportive and Directive Supplier Regulator Social Eng.

* It may be noted that state functions at the early stage of capitalism tend to be similar to its functions at the monopolistic stage, with the difference being only in the degree of the intervention.

CHAPTER IV

THE APPLICATION ANALYSIS OF GOVERNMENT INTERVENTION

Increasing intervention by the government in the economic affairs of both developing and developed countries has become a characteristic feature of this century, particularly during the last few decades. The non-political objectives of such intervention, as they are summarized by the economist editor, involve one or more of these

1. to cover the divergence between social and commercial costs and benefits (e.g., in deciding cost industries like railways) or between public and private risk preferences or time preferences;

2. to drain excess profits from the exploitation of a scarce resource (e.g., oil) or a commodity made artificially scarce (e.g., salt, alcohol, tobacco);

3. to redistribute wealth and employment from one income group or region to another (e.g., agricultural marketing boards);

4. to manage contradiction in troubled industries with less social pain (e.g., steel, shipbuilding);

5. to cope with lumpy investment problems in infant industries or middle-aged ones needing big technological changes;

6. to boost exports, cut imports or push industrialization (common in developing countries); and

7. to create or preserve a strategic industry deemed essential to national security or independence.²⁶

Sometimes these objectives are met by subjecting private enterprise to a mixture of taxation, subsidy, licensing and regulation, and opening the door for foreign investment. But in some other times, intervention objectives are accomplished through the government's direct participation in the form of public ownership.

In the remainder of this paper, intervention policies in two different countries (United States and Iraq) will be analyzed. The ultimate goal of this application section is to determine the nature as well as the scope of the government function in these two countries. Such analysis, in other words, would help us to locate these countries on the government conceptual framework concluded in the theoretical part of this paper.

The United States

The United States is widely regarded as a free, private-enterprise economy--one of the few remaining in the world. By the standards of the nineteenth century, it falls considerably short of that. The government has a wide presence

²⁶ "The State in the Market," Economist, Dec. 20, 1978, p. 37.

and strong influence that reaches into the micro-structure and detailed operations of the system, even though private organization still makes most of the decisions about its direction. The sphere of government decision is enlarging while the sphere of private decision is contracting.²⁷

The paradox of American experience with the government involvement is that, while government has been traditionally distrusted, increased reliance has been placed on it to solve economic and social problems. But the history of government intervention has indicated that the American public has not embraced any particular dogma or ideology in seeking solution of its problems.²⁸ A major source for such increasing government involvement, therefore, may be said to be the inadequacies of market forces. At the macro-level, it can be argued that without government involvement, the economy may be subject to intolerable or unnecessary degrees of inequality; the level of activity might be too low or too unstable; the distribution of economic activity between different parts of the country or between industries might be unsatisfactory, and rate of economic growth might be too low. At the micro level, particular groups, either

²⁷James W. McKie, "Government Intervention in the Economy of the United States," in Peter Maunder (ed.), Government Intervention in the Developed Economy (New York: Praeger Publishers, 1979), p. 72.

²⁸Harold Koontz and Richard W. Gable, Public Control of Economic Enterprise (New York: McGraw-Hill Book Company, Inc., 1956), p. 819.

individuals or organizations, can be expected to ask for involvement whenever the market systems fail to promote their private interests as well as they think the government will.

The Patterns of Intervention

Out of the complex American government involvement in the economic field, a few principal patterns of involvement can be identified. These patterns will be discussed in the following section.

The Government as Rulemaker

Perhaps the simplest kind of government intervention in the economic system is to ensure that the private system itself will work satisfactorily, by preserving effectively competitive markets. With this type of involvement, the government sets the rules and conditions for the game and then lets the system run itself. It is quite in accord with the principles of laissez-faire, at least in conception.

The United States embarked in 1890 on a policy of restricting monopoly with the passage of the Sherman Anti-Trust Act. This was a period of growing concentration in the United States economy. Public opinion had turned against big business because of some flagrant episodes of price-fixing and monopolistic exploitation, and in addition small business demanded protection from the predatory acts of increasingly powerful rivals.

The Sherman Act was not effectively enforced at first against large combinations of trusts. Concentration of the American economy proceeded apace until about 1905. Thereafter the law became a more effective weapon against monopoly. In 1914 the Sherman Act was joined by the Clayton Anti-Trust Act and Federal Trade Commission Act, aimed specifically at anti-competitive practices such as exclusive dealing and price discrimination. There have been numerous small supplements to the basic legislation since then, including a rejuvenation of government anti-trust policy following initiation of a Federal Aid Program in 1975.

In general, anti-trust policy has not been unequivocally successful in containing monopoly or maintaining competitive conditions. Concentration in the American economy has been increasing slowly since World War II, after a substantial remission in the enter-war period. The following table gives information on the drift of concentration in the manufacturing sector as a whole, as measured by the share of the largest corporations in total value added by manufacture. There probably has been a comparable drift in other sectors, some of which such as public utilities and transportation were more concentrated than manufacturing while others such as distribution were relatively less concentrated.²⁹ (See Table III.)

²⁹James W. McKie, p. 77.

TABLE III

SHARE OF TOTAL VALUE ADDED BY MANUFACTURE

(% of Value Added by Manufacture)

	Largest 50 Companies	Largest 100 Companies	Largest 200 Companies
1947	17	23	40
1958	23	30	38
1967	25	33	42
1972	33	33	43

Source: U. S. Bureau of the Census, taken from
James W. McKie, p. 77.

The Government as Regulator

In the United States, if the government at any level is persuaded that the competitive market has failed beyond redemption, its most common response is to regulate rather than to supersede the private market by government ownership. The oldest and most comprehensive form is the regulation of public utilities. A public utility means a firm offering an essential service that operates under conditions approaching natural monopoly, i.e. where monopoly is irresistably more efficient than competition. The usual candidates are suppliers of electric power, local distributors of gas and water, natural gas pipelines, and local and switched systems of electric and electronic communications.

Another type of government regulation is one that deals with externalities: costs that industrial activity inflicts on the economy at large and benefits that are not captured in the accounts of individual firms. Examples of this new-style regulation are

1. the Environmental Protection Agency, created in 1970 to develop and enforce federal standards for clean air and water;

2. the Equal Employment Opportunity Commission, founded in 1960 to oversee compliance with the federal government regulations and policies against discrimination in employment on the basis of race or sex; and

3. the Occupational Safety and Health Administration (OSHA), established in 1971 to regulate health and safety conditions in all places of employment except those of the government itself.

The third type of regulation takes into consideration the protection of consumers. The government has intervened in the market to ensure that consumers are adequately informed, and to exclude potentially harmful substances, such as those that can cause cancer in unsuspecting consumers. Policy to improve consumer information is exemplified by the Truth-in-Lending Law of 1971, aimed at providing borrowers with the correct prices of credit. Policy to protect consumers from harmful substances is exemplified by the Pure Food and Drug Act of 1906, and by the Consumer Product Safety Commission which was organized in 1972 to extend protection to products other than foods and drugs.³⁰

The Government as Promoter and Supporter

Government assistance to business enterprise, like government regulation of the economy, is based on the assumption that such a policy will contribute to the general welfare. It is not always easy to distinguish between government controls and government aids, since government assistance may have been an important regulatory effect on the groups being aided.

³⁰ Ibid, pp. 80-83.

Different types of government aid have existed since the earliest days of the United States, among which are tariff protection, government-established standards of weight and measure, and patent privileges. Land grants for education, funds for encouraging and improving farming, and services to foreign trade were among aids furnished long before 1900.³¹ More recently the government has become a promoter of major activities such as nuclear power and satellite communication.

The government does not always seize the role of protector and promoter with enthusiasm. Sometimes it has been obliged to succour a private industry that has failed in an activity that the government thinks is essential. The federal government, for example, has been obliged to guarantee the operation of some significant parts of the nation's railroad system.³²

The Government as Proprietor or Producer

When it comes to the government ownership and operation of the means of production, it should be noted that most government involvement in the economic system of the United States is not of this nature. The basic values of American economic life are individualism and free enterprise, and private enterprise is the predominant characteristic of the

³¹Koontz and Gable, p. 591.

³²James W. McKie, p. 84.

United States economy. Yet, numerous examples can be found of public enterprise, i.e., businesses owned and operated by federal, state or local units of government.

The motivation for government ownership depends to a great extent upon the kind of political and economic values to which a society adheres. But in the United States public enterprise has always been resorted to on a case-by-case basis to solve special problems involved in each instance. As a result, public ownership has been justified as being within the framework of a pragmatic conception of laissez-faire and free enterprise.³³

Social and political considerations rather than strictly economic considerations have more frequently motivated government to engage in a business enterprise.³⁴ Perhaps the most important reason for government entrance into an essential business operation is that private persons cannot or will not provide the goods or service. Military considerations may lead the government into the production of atomic bombs, arms, munitions and ships. In addition to their importance to the national defense, they are activities in which the capital outlay is too great or the return too uncertain for private enterprise to undertake them.

Closely allied to the above reason is the entrance of government into business where private enterprise has proved

³³ Koontz and Gable, p. 679.

³⁴ Ibid, pp. 680-681.

incapable or inefficient. For example, rail transportation in the United States is now under government control and operation. In other instances, private enterprise may have been capable of providing such essential services as power, communications, transportation or credit, but then operation under private ownership, even with public regulation, has lead to serious public dissatisfaction.

Also, certain economic activities have come to be acknowledged as public functions. For example, the conservation of natural resources is generally accepted as being a responsibility of the government. In the interests of more efficient utilization of natural resources, projects like the Tennessee Valley Authority have been undertaken.

The Government as Stabilizer

Despite their far-reaching effects, the above patterns of involvement are still not aimed at the economy as a whole. At the macro-level, the government involvement can be traced back to the early New Deal days. Out of the New Deal attempts to combat the effects of economic depression and the experience of World Warr I there has emerged a pattern of involvement aimed at regulating the economy as a whole in the interests of economic stability and growth.

As a result of such involvement, an unprecedented plethora of federal agencies was established to implement new welfare and regulatory policies. Moreover, the federal

government was transformed from a mildly interventionist, business-dominated regime into an active broker state that incorporated commercial farmers and organized labor into processes of political bargaining at the national level.³⁵

Republic of Iraq

The population of Iraq was 13.5 million in 1981. It is considered to be rich in its resources with a very high increase in the GNP growth. In Table IV growth of GNP by millions of Iraqi dinars is shown.

TABLE IV

THE GROWTH OF GNP BY MILLIONS OF IRAQI DINARS
(1975 Prices)

	1976	1980	% in The Growth	% of The Growth
GNP	4013.3	7475.5	16.8	86.3
GNP Pop.	349.0	575.1	13.3	64.8

This table shows the growth of GNP over a four-year period from 1976 through 1980.

Just like many other countries in the developing world, the profound aspiration for economic development in Iraq has been the main reason for its desire to industrialize. Table v shows the shift from agricultural to industrial occupations among workers in Iraq from 1976 to 1980.

³⁵Theda Skopol, p. 156.

TABLE V

DISTRIBUTION OF WORKERS AMONG DIFFERENT SECTORS
OF THE ECONOMY IN IRAQ

	1976 %	1980 %
Agricultural Sector	53.03	44.75
Industrial Sector	9.29	14.65
Construction Sector	4.02	6.35
Production (w/agriculture)	66.34	65.75
Production (w/o agriculture)	13.31	21.00
Distribution Sector	12.15	13.37
Services Sector	21.51	20.86

The Government and the Economy

From the historical background, there are still traces of Feudalistic elements in the economic and social life of Iraq. It is the researcher's belief that Iraq, as other developing countries, inherited this outlook a long time ago, since Iraq was formed under Ottoman and British control and was consequently affected by the goals and interests of those two foreign powers.

Various administrative defects were inherited, some of which are still present, although not to the same degree of fifteen years ago. One of the most dangerous of these

problems is extreme centralism. The Ottoman Empire imposed its very centralized style of rule in Iraq as well as in other Arab countries. All the decisions that were made in Iraq businesses had to be approved by the central government of Turkey. All appointments to positions in Iraq were issued by the Turkish emperor, who also exercised religious and political authority. The British, on the other hand, were similar in their centralism to that of the Ottomans. Affairs in Iraq and other Arab countries were supervised by British advisors, all positions of importance were held by British officials and all the decisions made by Iraqi officials were subject to British approval.

After Iraq gained its independence, it continued to employ the same style of administration that it had inherited from the Ottomans and the British. This continuation of centralism of the administrative systems in Iraq prevented any major improvements from taking place. So this hierarchy of approval became a habit for the Iraqi officials. They did not have the confidence to make decisions for fear of losing their jobs. This lack of decision-making responsibility was, of course, the result of centralism. Lower and middle ranked officials did not have the authority to make decisions because all power was concentrated in the hands of the high administrators.

The authoritarian system does not always have a negative influence. For a developing country, where people are

less qualified and educated, a centralized system is the most beneficial for utilization of scarce resources. After a higher standard of qualifications and education is reached, a different concept can be adopted gradually.

Government in the developing countries misuses the authoritarian system to allocate its strong supporters to high positions in different firms as a type of control. Where centralization is acquired, routines are followed, fear of change is evident, and there is less room for invention or progress, although the utilization of invention or progress might lead to a better system later on.

One of the main advantages that Iraq has over the United States is that it has zero unemployment. The socialist believes that jobs have to be made available to all citizens.

Iraq recently noticed a significant transformation of the economic role of the government. The government has always played a major role in economical development. The government ordinarily has a traditional responsibility for public works, health, education, etc. This responsibility has increased in recent years.

To strengthen their position, a law was passed where all graduates and undergraduates had to be hired. This approach has a great benefit to the economy and the society of Iraq in that it will help the country to progress at a faster rate and will use local manpower to its greatest extent.

Furthermore, the government acquired a more free hand in matters of commercial policy which it started utilizing for protecting industry--very timidly at first, but with greater determination since late 1958. Growing concern with the impoverishment of the rural population and urban workers in the late 1930s and during the world war led to price controls, and some political figures and social reformers talked without much effect about planning and agrarian reform.

The radical change of the economic system, however, did not take place until the late 1960s. Successive waves of nationalization and punitive sequestrations absorbed into the public sector most establishments of modern industry, large department stores, financial institutions, and big hotels. By 1970 the place and role of the government became overwhelming, accounting for some seventy to seventy-five percent of total investment, and employing more than eighty percent of the non-agricultural labor force or close to fifty percent of the total working population.

In light of the above analysis, three functions seem to be relevant to the Iraqi government: the government as protector, the government as proprietor, and the government as planner.

The Government as Protector

The Iraqi policy framework changed with the economic system first dominated by free private enterprise until the

late 1950s, then by planning, public investment and ownership of modern means of production since the 1960s and 1970s.

During the first phase, tariffs and import controls were the main policy instruments. Their familiar effect is to encourage investment in industries which replace imports by domestic production. In the second phase, tariffs ceased to be relevant as a public policy instrument, with export as well as foreign exchange becoming of greater importance.

The Government as Proprietor

Before the 1958 revolution, public ownership of industrial establishments was limited to a petroleum refinery, the government press, a few newly established military factories, and a number of workshops belonging to various ministries. After 1958 government ownership expanded by steps until 1964 when the nationalization waves of private firms placed a large segment of modern industry in the public sector.

The Government as Planner

In 1960 a National Planning Committee, converted later to the Ministry of Planning, was formed and entrusted with the task of drafting a national comprehensive plan for social and economical development. The objective of the first five-year plan, 1961-65, was to raise the level of national income by thirty percent during the plan period.

Neither the first plan nor the second one, covering the period from 1961-1970, materialized. Three major reasons were behind this failure:

1. the absence of policy guidelines for the implementation of the plans;
2. planners constrained in their choice of projects by the procedure which entrusted ministries with selection and establishment of priorities; and
3. unrealistic forecasts.

Comparison of Government Involvement in the United States and Iraq

The public sector in Iraq and other developing countries is not the same as the public sector of the United States or other developed countries.

The public sector is often called upon to undertake investment that would not take place if the final deciding factors were profits. An important purpose of government investment is to increase the level of income and employment in the economy, and it will be valid thus to include the general economic effects of such investment in evaluating the return of investment. The firms are encouraged to take into account not only economic goals, but also important public and community interests.

However, there is no single criterion which can be used as the chief guide in choosing between alternative courses of action.

In the United States political and economical history, the emphasis on the role of free enterprise didn't prevent governmental involvement which has been considered significant in different forms:

1. An effective free-enterprise, free-market system is possible only within the administration of a rule-making political body which will oversee the operation of such a market. In many situations the government restricts market freedom in order to shape the competitive environment. An example of that is the protective tariffs to check competition from abroad.

2. Other restrictions have been imposed through change legislation. These restrictions were imposed because of the abuses of corporate power and other private constraints of the free market. An example of that is the legislation against monopolies and holding companies, etc.

3. Therefore, it is evident that the United States has created a system in which the regulation of the wealth-producing sector by market forces has been increasingly supplemented by explicit social intervention in one way or another. Clear examples will be the increase in social security benefits, pensions, family allowances, etc.

4. Government interfered in the economy in order to ensure the protection of consumers from private business, since this is a conflict between what the consumer expected from the private enterprise and between what private enterprise actually does.

Economy of private business in Iraq is entirely different from what is the norm in the United States. Practically speaking, no major business decision can be made without prior permission of the government. The government has a great impact on the business policy of private business. The reasons for this involvement may be:

1. to ensure the fulfillment of the social objectives toward society;
2. to furnish unanimous standards of business integrity and conduct in the promotion and management of companies;
3. to keep a tight control on private business activities which ultimately can influence the benefit of the ruling party.
4. the tendency of the government in developing countries to direct and command rather than keeping the door open for negotiation and cooperation with private industries in fulfilling the national goals apparently structured to benefit the public, no matter that the hidden motives may be quite different; and
5. to ensure enforcement of the proper observance of legal obligations by company management.

Iraq, like many other developing countries, has a controlled economy. It is an instrument of policy applied by the government to influence the people's economic behavior toward the objectives and targets of the plan. Economic planning, decision-making and action is conducted within the

framework of the changing monetary, fiscal and industrial policies of the government. This control has been explained by the scarcity of resources in the economy relative to the pace and extent of economic development sought. Since Iraq is earning sufficient foreign exchange by exports of oil, the shortage of other resources could be overcome by imports.

These external conditions influence the degree of competition and profitability of various industries and determine the extent to which the principle and practice of economy evolved largely in free enterprise economics, can be applied in those contexts.

The prevailing environments in the developing countries must be viewed against the background of the countries, old traditions, institutions and attitudes--the thrust of the new values and ideals which have been prominent in guiding and shaping the evolution of these societies since their independence from different nations. It is the researcher's belief that by implementing new views and ideas, improvements in the system could be achieved and manipulation of the existing system could be of great benefit to the society involved.

CHAPTER V

CONCLUSION

A result of the previous analysis shows increasing involvement by the government in the economic affairs of both developing and developed countries and this has become a characteristic feature of this century, particularly during the last few decades. The main purpose of such involvement varies from country to country, and in the same country from time to time. Some of these common purposes include the inadequacies of economic forces as reflected by divergence between social and commercial costs and benefits, the speeding of economic growth, the redistribution of wealth and employment from one income group or region to another, the management of contraction in troubled industries with less social pain, and the encouragement of exports and industrialization in the less developed countries.

In some cases, these objectives can be met by subjecting private enterprises to a mixture of taxation, subsidy, licensing and regulation. But in some other cases involvement objectives are accomplished through the government's direct participation in the form of public ownership.

The purpose of this paper was to study the government involvement phenomenon both theoretically and empirically. The purpose of the theoretical part was to provide a critical review of the role of government in modern capitalist societies, while the purpose of the application section was to investigate the nature as well as the scope of the government's role in the two countries covered by this study: United States and Iraq.

Based on governmental literature, which is both highly diversive and confusing, this paper distinguishes between two approaches to the governmental theories. The first approach, characterized as theories of the government in capitalism, tends to focus on the functions of the government apparatus as they are empirically observed. Four functions have been suggested:

1. the government as supplier of goods and services;
2. The government as regulator and facilitator of the operation by the market place;
3. the government as social engineer; and
4. the government as arbiter between competing social groups or classes.

The second approach characterized as theories of the capitalist government tends to focus on the form as well as the functions of the capitalist government as concluded from the historical analysis.

Although there are many essential differences between these two approaches, it was suggested in this paper that they are complementary rather than mutually exclusive for the following reasons:

1. Observing the government functions at a given point of time may be used as an empirical test in order to validate these functions as concluded from historical analysis.

2. The government as a supplier of public goods and services and as a regulator and facilitator, in the functional theories, correspond to the allocative mode of the government in the materialists' theories. On the other hand, the government as a social engineer, in the functional theories, correspond to the productive mode in the materialist theories.

Finally, the government as an arbiter in the functional theories may be conceived as some high-order set incorporating both the allocative and productive modes in the materialistic theories.

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