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“We Must Help Them Build Free Institutions”: Neoliberal Modernization and American Nation-Building in Iraq

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ABSTRACT
After the American invasion of Iraq in 2003, neoliberal hawks in the Bush administration embraced the goals of liberating the Iraqi people from economic constraints. This fast regime change, however, soon turned into a long quagmire that required a nation-building effort, reflecting the language of modernization theory. Thus, in the case of the Iraq War, two distinct and opposing theories of economic development—neoliberalism and modernization—merged together. What made this possible was the nature of analyzing American history through a lens of exceptionalism, as well as the transformative moment in the post-Cold War 1990s that began to remake the Middle East as the next adversary of the American superpower. This article uses this episode to suggest that intellectual histories of political economy need to reconsider narratives that present dominant theories through rigid periodization, while relying on works from Walt Rostow, David Harvey, Benjamin Barber, Timothy Mitchell, and Michael Latham, as well as rhetoric from George W. Bush and other neoliberal voices around the invasion.

Keywords: Neoliberalism; Modernization; War on Terror; Political Economy; Foreign Policy; Iraq

INTRODUCTION
On March 19, 2003, President George W. Bush announced to the American public that coalition forces invaded Iraq “to undermine Saddam Hussein’s ability to wage
This pre-emptive attack in 2003 was inextricably linked to the terrorist attacks on September 11, 2001 (9/11), through the “war on terror.” For the hawkish, neconservative decision-makers in the Bush administration, 9/11 served as a moment to “win support” for the invasion of Iraq, according to Timothy Mitchell. Of course, these decision-makers were also adamant neoliberalists who planned on a fast regime change in Iraq. However, they did not expect that this pre-emptive war would turn into a long quagmire, requiring a nation-building effort in order to bring democracy to Iraq, and the larger Middle East. Yet in the language used by President Bush in describing the mission in Iraq, nation-building seemed like an objective from the start. Thus, in the case of the Iraq War, two distinct and opposing theories of economic development—neoliberalism and modernization—merged together. What made this possible was a shared attitude of American exceptionalism, as well as increasing hostility towards the Middle East in the post-Cold War 1990s.

NEOLIBERAL THINK TANKS AND THE BUSH ADMINISTRATION

After 9/11, neoliberalism came to “take center stage” in decision-making, historian Michael Latham points out. In fact, just three weeks before the Iraq War began, Bush spoke at the annual dinner of the free-market-oriented American Enterprise Institute (AEI). At the dinner, he celebrated AEI for having “some of the finest minds,” and also spoke of the need for a “free Iraq.” By “protect[ing] Iraq’s natural resources from sabotage,” and ousting the Hussein dictatorship, Bush hoped that Iraqis “can fully share in the progress of our times.” To the folks at AEI, this was not a surprise; they had been pushing for this agenda for years. At an AEI conference in late 2002 on planning for a post-Saddam Iraq, for example, a presenter spoke of oil’s importance in the Iraqi issue, but stated that it was “not the driving force of U.S. policy towards Iraq.” Earlier that year, however, AEI resident fellow Richard Perle testified to the U.S. Senate Committee on Foreign Relations that the invasion was “the right thing to do” in light of recent political events in the Middle East.

5 Ibid., 217-18.
on Foreign Relations to make the case for “an effective military,” as well as “to support enthusiastically” bigger funding efforts to build democratic institutions.\(^7\)

Think tanks like AEI, funded by the fortunes of big oil money, pursued and crafted the neoliberal movement and “consistently promoted doctrine based on unilateral action, military primacy, and the expansion of liberal democracy,” writes Latham.\(^8\) Not only did these neoconservatives of AEI and other organizations serve in the administration, but they also worked around influencing policy in a myriad of ways. The objective of this engagement was to strengthen the cry for American power in the post-9/11 world, which would eventually render arguments condemning the role of oil in the invasion as “no longer inconvenient,” argues Mitchell.\(^9\) If the reason for invading Iraq rested on a commendable effort to combat terror, then any links on benefitting from the control of Iraqi oil supplies represented a threat to legitimizing the war on terror and its policies. Mitchell’s effective argument of oil as the material basis for capitalism’s development and expansion then suggests American imperial policy if oil served as a rationale for invading Iraq. Neoliberals hoped to increase public support of the invasion through the seductive framework of justice.

Why was the neoliberal cry so influential? The “political project” of neoliberalism is traced back to the writings of Friedrich Hayek and Milton Friedman, among their colleagues in the Mont Pelerin Society. An economy of free enterprise between private parties and undisturbed by the government umpire, as Friedman saw it, provides effective social equilibrium and even protects individuals from discrimination and coercion. Such arguments were presented in the early 1960s by Friedman’s *Capitalism and Freedom* and thus promised systematic solutions for eradicating racism and all other forms of discrimination.\(^10\) Although neoliberalism as a term has garnered many definitions and uses by scholars and activists, one worth observing is Paul Treanor’s definition of it—which David Harvey also relies on—as using the free enterprise market “as an ethic in itself, capable of acting as a guide to all human action.” This high regard for individual freedom, Harvey adds, is “indeed compelling and seductive.”\(^11\)

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\(^11\) Paul Treanor, “Neoliberalism: Origins, Theory, Definition,” December 2, 2005, available at [http://web.inter.nl.net/users/Paul.Treanor/neoliberalism.html](http://web.inter.nl.net/users/Paul.Treanor/neoliberalism.html); David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2005), 2, 5. In this article “neoliberal” and “neoconservative” are interchangeable, with the former usually referring to economic programs, while the latter is used when referring to national security. Of course, there are many possible uses. See Mitchell, *Carbon Democracy*, 223n47. For famous ‘consensus’ on neoliberal policy, see John Williamson, “What
NEOLIBERALISM VS. JIHAD

To the neoliberals in power during the Bush administration, it was imperative to prevent Iraq’s oilfields from sabotage by radical groups and individuals. Since the transformative shift from coal to oil in the late nineteenth century, sabotage had been effectively avoided through the use of grid-like supply networks. This resource, however, was threatened as the Middle East became more of a foe to the Western world. Consequently, entire oilfields (as opposed to pipelines) were vulnerable to attacks. As the Soviet threat waned in the late 1980s and early 1990s, the resulting world order saw the advent of new adversaries for the United States, which included a rising China, but also increasing concerns for transnational crime and terror emanating from regions like the Middle East. Four decades of Soviet containment strategies finally came to an end.

This moment caused many political theorists to scramble for ideas that could forecast the future of world order. There were those that argued of “an unabashed victory of economic and political liberalism,” and others who wrote that “fault lines between civilizations will be the battle lines of the future.” But others like Benjamin Barber captured the moment as a tension between the ideas of “globalism” and “tribalism.” Globalism was nicknamed McWorld, which represented the intense globalization in the ‘90s that was driven by information technology, integration of the former Soviet states, and increasing neoliberal faith. Tribalism was the clashing reaction to McWorld among many subnational factions that used religion as a particular battlefield. And in his fairly


12 For a history of ‘sabotage’ in energy networks from coal to oil, see Mitchell, Carbon Democracy, 38.


binary view of the entire world, one particular region is implicitly singled out: the Middle East, especially given the Gulf War a year before. The characterization of all movements against globalism as “Jihad” only served to bring attention to the Middle East.

Although Barber shows concern over the role of democracy in both world orders where McWorld is indifferent and Jihad antithetical to it, he concludes that McWorld would “vanquish” global retribalization. Nonetheless, even though Barber reassures readers of globalization’s victory, his framework of Jihad fanned the flames against the Middle East. Barber’s distinguished essay on “McWorld vs. Jihad,” coupled with others’ more explicit statements of Islam’s “bloody borders,” led many of the conservative neoliberals to begin integrating the need for U.S. power against the Middle East as a necessity for national security. In a piece by William Kristol and Robert Kagan, the connection between neoliberalism and the estrangement against the Middle East was laid out. The founders of the conservative Project for the New American Century (another think tank with close ties to the Bush administration) called for a “benevolent global hegemony” of “military supremacy.” However, in order to ground this call in the neoliberal mantra of minimal government and economic efficiency, they argued that this would “save money in the long run.” In the month before the invasion of Iraq, Kristol and Lawrence Kaplan’s The War Over Iraq expanded on this by explicitly drawing the connection between free markets and global hegemony by criticizing American reliance on only the power of markets in the 1990s which allowed for the advancement of Barber’s Jihad.

Along with the moment in the 1990s that allowed for a hawkish American neoliberal order, American exceptionalism in the world was also explained by American history. Kristol and Kagan, for example, described their policy recommendation as “neo-Reaganite.” Harvey writes that the neoliberal favorite, “the idea of freedom,” is “long embedded in the US tradition.” Latham, furthermore, argues that neoliberal ideas “overlapped with other, broader ideas of American thinking.” What were these ideas? Among the long history of western expansion and hemispherism in the nineteenth century, followed by the rise to globalism in the twentieth century, neoliberalism found its connection to rival the Middle East in the 1990s, and especially after 9/11, through the previous theories of modernization.

19 Harvey, A Brief History of Neoliberalism, 5; Latham, The Right Kind of Revolution, 201.
NEOLIBERAL MODERNIZATION

Prior to the triumphant victory of neoliberalism in the battle for dominant ideas of the global political economy, the United States was largely practicing the ideas of modernization and, to a larger extent, Keynesian economics. Just as neoliberalism would later use “the long-standing conviction that the United States could fundamentally direct and accelerate the historical course” of the world in the 1990s and beyond, the concept of modernization also embodied this resonance of exceptionalism.20

Out of the handful of modernization theorists, the words of Walt Rostow would guide American foreign policy. His essay on “The Stages of Economic Growth” divided the universal concept of development into six phases that distinguished “traditional society” from modernity, characterized by high mass consumption.21 Rostow’s early involvement in advising decision-makers on America’s role in the world is illustrated in his work with Max Millikan at MIT’s Center for International Studies, stating that America’s exceptionalism “represent[s] an enormous potential for steering the world’s newly arousing energies in constructive rather than destructive directions.”22 After years of peripheral advising, Rostow went on to serve as the national security advisor for Lyndon B. Johnson, and shaped U.S. foreign policy as a decision-maker himself. Modernization, however, would by the 1970s be “largely discredited in academia and public life,” Latham writes, “challenged on the left by arguments about the devastating effects of international capitalism, and on the right by a rising neoliberal chorus condemning attempts at social engineering and proclaiming the virtue of free markets.”23 In this sense, modernization and neoliberalism fundamentally opposed each other—the former embraced the state, and the latter loathed it.

It did not take long in the 1990s, when neoliberalism began embracing a role for American global leadership, that scholars began drawing connections between the two seemingly distinct theories. John Brohman, for example, argued in 1995 that although “neoliberalism is often depicted in the development literature as a new innovative strategy which should be contrasted with the discredited frameworks, such as modernization theory,” it started to suffer from “a number of common problems,

20 Latham, The Right Kind of Revolution, 2.
including those associated with universalistic models, Eurocentrism and ideological biases.”

In this sense, neoliberalism and modernization merged together in the post-Cold War worldviews of “Jihad vs. McWorld” and especially in the post-9/11 landscape. Essentially, the worldview of “Jihad vs. McWorld” was a revival of Rostow’s distinction between traditional (i.e. backward) societies and modern societies. Nonetheless, they were bound to catch up. The Middle East in the 1990s and especially after 9/11 became the embodiment of Barber’s tribalism and Rostow’s traditional society—yet to reach modernity. The conservative call for a renewed American hegemony believed it could lead these nations into economic prosperity. No longer would neoliberals attack modernization; they embraced it.

The embracement by neoliberals of modernization’s promises is a contradiction. Modernization is by its nature a statist theory, while neoliberal theory argues against the coercion, discrimination, and corruption of states with control of the market. However, its practice of clashing with ‘tribalism’ led to the calls for stronger national security abroad and thus, the need for strong states. For critics of neoliberalism like Harvey, this merger is not surprising. He argues that “systematic divergences from the template of neoliberal theory quickly become apparent.”

As a political project, it is bound to run into contradictions between its seductive theories and its practice. In its imposition of the “neoliberal state” on Iraq, Harvey points out that in this grand privatization of Iraq, “only oil was exempt.” Exempting oil from privatization illustrated a lack of will to stick to market principles when it came to strategic resources for the state. Timothy Mitchell pushes this contradiction further through his exploration of the political economy of oil. He argues that the “Iraq war was an attempt to overcome the weakness of McJihad.” McJihad, as Mitchell challenges Barber’s perspective, was his description of the relationship between American empire and political Islam where the need for oil and its enormous profit margins are contradictally acquired through non-market means.

Whereas Barber saw an inevitable clash, Mitchell presents a working system between McWorld and Jihad around oil. In the context of McJihad, it is no wonder that the United States, under the new neoliberal modernization framework, would choose to strike Iraq.

**PREPARING FOR NATION-BUILDING IN IRAQ**

Against this background, an analysis of the rhetoric used by President George W. Bush in the moments surrounding the invasion of Iraq in 2003 illustrates this merger in practice. Returning to that night at the AEI annual dinner in 2003, Bush stated a “clear

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25 Harvey, *A Brief History of Neoliberalism*, 70.
26 Ibid., 6.
interest in the spread of democratic values, because stable and free nations do not breed the ideologies of murder.” Therefore, the U.S. aimed for Iraq being “fully capable of moving toward democracy.”

At this neoliberal event, here was the president invoking the language of modernization and the “Jihad vs. McWorld” concept. Bush not only placed Iraq in Rostow’s stages of economic growth, but he likened the non-modern states to the tribal Jihad. Only a nation-building project would push Iraq into the take-off towards modernization and rid subnational factions to give way to a national identity integrated into McWorld.

However, unlike fully equating the entire Middle East as civilizations of Jihad, Bush only characterized the state regimes and terrorists as Jihad. For example, in the address aimed at preparing the nation for the Iraq War on March 17, Bush reminded the public that “the regime has a history of reckless aggression in the Middle East. It has a deep hatred of America and our friends. And it has aided, and harbored terrorists.” At this point, it was easy to aim for the neoliberal agenda in this task of modernization. Once freed from the Jihad, the Iraqi people could participate in the free-market system. What was needed for the neoliberalization (and modernization) of Iraq, however, was the rule of law. Bush was not hesitant to state that this was among the “cornerstones” of a free Iraq. In a message specifically for the Iraqi people, he announced that instead of being “held captive” by Saddam’s regime, they would be “free to pursue economic prosperity.”

One can go on and on about Bush’s rhetoric of neoliberal modernization in Iraq—here I hope other scholars will pick up where this article leaves off and develop a rhetorical analysis of the administration more fully—but where Bush again invokes modernization, neoliberalism, and the “McWorld vs. Jihad” binary much like he did for the AEI neoliberals in preparation for war was in a speech at the International Republican Institute in 2005. Making sense of this divergence of neoliberal theory and practice in Iraq, Bush stated that “history teaches us that the path to a free society is long and not always smooth…. and as we push the freedom agenda, we must remember the history of our country.” In order to establish a connection between free-market capitalism and a statist nation-building project, Bush used the history of American democracy to place the responsibility of this project on the United States. In order to allow Iraq to participate in

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neoliberal capitalism and escape Jihad tribalism, “we must help them build free institutions,” Bush explained. After placing the nation-building efforts of Iraq in the context of modernization, he went on to announce the launch of Operation Adam Smith, a program more in line with the long-term goals of neoliberalism which aimed at “setting up local chambers of commerce.” Two years into intervention in Iraq, it was clear that modernization had merged with neoliberalism.

CONCLUSIONS

In the case of the American invasion of Iraq in March 2003 and the larger span from the new world order in the 1990s to the war on terror, there was a synthesis of the apparently distinct theories of modernization—long thought to be dead—and neoliberalism, the central theory in American political-economic decision-making. What they both had in common that allowed for this merger was the use of American history as exceptional and thus the belief that the United States had a leading role to play in the world order. George W. Bush invoked this synthesis in justifying the invasion of Iraq and the subsequent nation-building policies. This synthesis informs us of a larger process of understanding intellectual histories. In looking at intellectual history, especially in the history of economic thought and political economy, the distinction between periods of dominant theories such as modernization, dependency theory, and neoliberalism, for example, can become so rigid as to prevent the evolutionary flow of ideas from being acknowledged. Instead, theories are perceived as disappearing from existence the moment that they are refuted as opposed to contributing to the next development dogma. For example, some have regarded the complete breakdown of modernization-based development as “arguably the single most important intellectual event of the 1990s.” The war on terror’s invasion of Iraq suggests otherwise.

Finally, despite modernization theory having been scrutinized by the left and right after the 1960s, the neoliberal merger presented above sheds light on the presence of modernization in other contexts throughout the world. International human rights work is an interesting example I have noticed—as an emerging scholar and practitioner—carry on modernization’s zeal. As modernization pushed for state-led growth, it also provided a guide for thinking about the imperative of institutions with the goal of improving the well-being of individuals in developing countries. In many ways, human rights work has

also provided just that sort of nation-building imperative found in Rostow’s stages. Human rights practitioners go to other countries and end their assessments with policy recommendations for greater rule of law, organize conferences promoting various interventions, and attempt to explain their pursuits with a framework of universalism.\textsuperscript{35} For these reasons, a greater reappraisal of modernization theory’s history and residual effects is needed.

\textsuperscript{35} I am not criticizing human rights work here. Instead, as a scholar and practitioner of human rights, I am pointing out that even important work has adopted theories of modernization, thus complicating the historical record of the theory. The Human Rights Center at Berkeley, for example, has led useful studies (far too exhaustive to list in this article) on social reconstruction and transitional justice among different regions and contexts. See Stephen Smith Cody et al., \textit{The Victims’ Court? A Study of 622 Victim Participants at the International Criminal Court} (Berkeley: Human Rights Center, University of California, Berkeley, School of Law, November 2015).
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We Must Help Them Build Free Institutions


