

## [The Kurdish experiment](#) [1]

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At first glance, Iraq's Autonomous Region of Kurdistan seems a dream come true for believers in minimalist government. There's virtually no taxation and few regulators in sight. And business is booming – frantic construction everywhere, shiny new cars weaving along the extensive road network and glitzy shopping malls springing up. Yet, take a closer look here in Erbil, the region's capital, and you can see trouble brewing.

Start with all those cars. Lack of town planning means housing, office and shopping developments are plunked down wherever suits the builders. As a consequence, the city is sprawling far and wide, like Phoenix, Arizona. Even if you could bear the 40+ temperatures, the distances between destinations is too great to walk anywhere and, with no proper public transport, it's either driving your own car or flagging down one of the thousands of taxis that swarm like bees.

The roads aren't gridlocked – yet. But it's easy to see that at current growth rates, the traffic congestion in a few years will be intolerable. For now, parking a car is relatively easy, usually right in front of the establishment you want. But already, double parking can be a nuisance as developers have made few allowances for parking space. Who needs it when you can park on the road?

Where the government does get involved, it can do the wrong thing. In Kurdistan, electricity is practically free for consumers, including businesses. Any devotee of the ASI can guess the consequences: frequent power outages (albeit brief) as ubiquitous air conditioners kick in. That cheap electricity to power air conditioners means buildings, including private homes, have high ceilings, thin walls and large windows – just the opposite of what's required for this baking hot country. Curiously, there's little sign of solar power, probably a cost effective alternative here unlike cloudy Britain.

On a macro level, the seemingly small regional government has another insidious effect. Besides a fairly lucrative line in customs duties at border crossings, government revenues are mostly from Kurdistan's 17% share of the Iraqi government's revenues and that means oil money – the economic rent that is the curse of many a developing nation.

The power vacuum created by the weak Kurdish government is amply filled by the dominant political parties. They're the ones dispensing the cash but by unwritten rules that suit their purposes. That means non-productive employment for the boys (and gals) to keep them sweet. Unsurprisingly, even Kurdistan is seeing an influx of east Asian labour to do the work that the locals disdain. Sound familiar?

The Kurds have been one of the world's most oppressed and battered people. Their 10+ year experiment with democracy and free enterprise deserves our best wishes and whole-hearted support. However, they're also extremely vulnerable. They have borders with the religious fanatics in Iran to the east and the

muscular and nervous Turks to north; they also share a country that is beset by sectarian violence in the south.

More than anything, the Kurds need a government that strikes the right balance between enlightened authority and libertarian virtues. But, then, who doesn't?

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