

May 21, 2003 9:45 AM

IRAQ

TO: Doug Feith
FROM: Donald Rumsfeld
SUBJECT: Oil and Democracy

Alan Greenspan came by to see me. The subject was oil and democracy.

Our discussion was along these lines:

We must keep the revenues from oil away from government. Throughout the world, underdeveloped countries with oil have wasted the revenues. They have been stolen, misused and used to suppress the population.

In the old days, the people of a country could swarm over a small minority that was robbing them or repressing them. Not so today. Small minorities—bullies—can use technology to successfully repress majorities. Repression works because of modern technologies.

The goal in Iraq from the outset should be to get the oil revenues into the hands of the Iraqi people. One approach might be to establish four or five mutual funds and put the revenues from oil and gas into them. They would be owned by the Iraqi people. The plan would be to take a small portion of the revenues of the funds, and pay them to the owners of the funds, all adult Iraqi citizens. There are issues as the definition of an Iraqi citizen (for example, are the people who just returned Iraqi citizens) but those issues could be dealt with.

Fortunately, the average income in the country is so low that it could make a significant difference and substantially affect the annual income of the Iraqi people by giving them a relatively small amount of money. Each of the funds would pay exactly the same monthly dividends, regardless of their varying successes.

The rest of the funds' income could be for:

1. Strengthening the oil infrastructure, improving liftings, building pipelines, and finding more efficient ways to do things.

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2. Other infrastructure in the country that will benefit the Iraqi people and contribute towards increasing private sector economic activity and the economic well-being of the country.
3. Loans for small businesses. If the fund made loans for small businesses, it could help to develop a middle class, an entrepreneurial class, people who would develop material values, which could then begin to create in the Iraqi people a sense of progress. This could weaken the pull of Islamic fundamentalism.

Democracy

Democracy is linked to this idea. Democracy can be dangerous in the sense that if you have a group of people who have spiritual values but not material values and have not practiced the art of compromise, if they go too fast to an election by majority rule, it could end up with a permanent mistake—one vote, one time—and another Iran-like theocracy.

In short, we need to lay a foundation for self-government. The way to get a non-theocratic system is to go slowly. People have to begin to see what is in it for them.

That suggests we should not rush to have elections. We can have votes on things like city councils with a limited mandate—to help get sewers fixed, help get the garbage picked up, help get policemen out. Otherwise, the fundamentalists will very likely sweep, in a way that is disadvantageous to the people in terms of their long-term future and benefit.

Democracy involves choosing between things. If the people don't have things to choose between and there are strong, dominant theocratic forces, the outcome may be an unhappy one.

In short, the management of the oil revenues could conceivably help to begin to lay the foundation for movement towards democracy.

Thanks.

DHR:dh
052003-19

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Please respond by _____



May 22, 2003 7:32 AM

TO: Vice President Richard B. Cheney

CC: Honorable Colin Powell (by hand)
Honorable Andrew H. Card Jr.
Honorable George Tenet
Honorable Condoleezza Rice

FROM: Donald Rumsfeld

SUBJECT: Oil and Democracy

Attached is a memo I dictated after a visit with Alan Greenspan that you might find of interest.

Thanks.

Attach.

5/21/03 SecDef memo to USD(P) re: Oil and Democracy [052003-19]

DHR:dh
052203-3



Certified As Unclassified
January 9 2009
IAW EO 12958, as amended
Chief, RDD, ESD, WHS

W00611-03

May 22, 2003 7:28 AM

TO: Jerry Bremer

CC: Jay Garner
Larry Di Rita
Paul Wolfowitz
Gen. Myers
Gen. Pace

FROM: Donald Rumsfeld

SUBJECT: Oil and Democracy

Attached is a memo I dictated after a visit with Alan Greenspan. I think you will find it interesting.

Thanks.

Attach.

5/21/03 SecDef memo to USD(P) re: Oil and Democracy [052003-19]

DHR:dh
052203-2

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Please respond by _____

