



ANALYSIS OF THE TRENDS OF FISCAL POLICY AND ITS MONETARY EFFECTS IN THE IRAQI ECONOMY FOR THE PERIOD 2003-2020

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Article history:	Abstract:
<p>Received: 4th August 2022 Accepted: 4th September 2022 Published: 7th October 2022</p>	<p>The government can influence economic activity by using fiscal policy tools by making changes in taxes on the one hand or in the levels of public spending on the other, and the deficit occurs in most public budgets due to the lack of public revenues to meet the volume of public expenditures, and there are several mechanisms for financing the deficit, including bonds The treasury and the new cash issue, and that these mechanisms have severe effects on some monetary variables.</p> <p>The monetary effects of fiscal policies appear through the method that the government uses to finance the deficit in its budget. The existence of a deficit will force the government to borrow to finance this deficit. The monetary effects depend on the method that the government will use to finance the deficit. The government may resort to borrowing from the central bank or from commercial banks. Or it may resort to the public and the non-banking private sector. The government's choice of any of these methods depends on the degree of independence of the Central Bank.</p> <p>On this basis and through this study, we tried to reach the monetary effects of the financial policy by addressing the concepts, tools and objectives of the financial policy, as well as addressing the monetary effects resulting from the application of the financial policy, and finally this was projected on the Iraqi economy for the period (2003-2020).</p>

Keywords:

INTRODUCTION

The issue of the Iraqi economy at the present time and at the local level is of interest to many economists and researchers, due to the changes that took place in the political system and the economic system based on centralization and its transition towards a free market economy.

The Iraqi economy has suffered as a result of internal and external shocks from structural, economic and social imbalances that represent obstacles in the way of comprehensive development, and were represented in the decline in general economic performance rates, low productivity and then the standard of living, increasing public budget deficit, high inflation rates and the deterioration of the national currency exchange rate, as well as The increase in the deficit of the trade balance and the balance of payments, the high volume of external indebtedness, and the accumulation of arrears of the burdens of the external public debt, and based on these conditions, it was necessary to move towards a more effective policy, as the fiscal policy is characterized as having a significant

impact on economic activity, as it has intertwined relations With the rest of the economic policies, and that is why countries adopt fiscal policy through their tools to achieve stability in their economies, and thus, fiscal policy through its tools constitutes a system for economic stability, advancing the wheel of progress and treating inflation, as the fiscal and monetary policies are effective means of general economic control, and these two policies overlap. In influencing the general economy, this interference arises from an important fact related to the monetary effects The money left by the fiscal policy, which is particularly reflected in the money supply, which is originally caused by a deficit or surplus in the general budget, and the way in which the budget deficit is financed and the use of the money supply. Therefore, this research dealt with studying and measuring the monetary effects resulting from the application of fiscal policy.



The study Problem :

The general budget in Iraq has been exposed to a large deficit in recent years due to the decline in oil prices, which represents an important aspect of its revenues with the decline in other revenues, which prompted the government to choose one of the ways to finance the deficit, which is financing with public debt, financing through the new cash issuance, the government's choice of one. This does not leave significant monetary effects on the local economy, so the way the government finances its deficit is one of the determining factors for the change in the money supply and its impact on inflation.

The most important question here is what are the monetary effects that result from the application of fiscal policy in Iraq?

Study hypothesis:

The research stems from the hypothesis that (financial policy has negative monetary effects due to the inefficiency of the use of public revenues resulting from oil revenues, and then the reflection of these effects on the Iraqi economy for the period 2003-2020).

The Importance Of Studying :

It is noted that the studies that dealt with this topic, the monetary effects of the fiscal policy are somewhat limited, and the importance of this study comes as a topic for discussing and analyzing the monetary effects of the fiscal policy in Iraq.

PURPOSE OF THE STUDY :

This study aims to analyze the financial policy trends and their effects on the monetary variables represented by the money supply and the monetary base, as well as analyzing the role played by the financial deficit in the Iraqi economy during the period (2003-2020)

TIME AND PLACE LIMITS FOR THE STUDY:

Time limits: covers the time period (2003-2020).
Spatial boundaries: include Iraq.

Study structure:

The study was divided into two axes:

The first axis / theoretical and conceptual framework for fiscal policy, which in turn is divided into:

First: the concept of fiscal policy.

Second: financial policy tools.

Third: the monetary effects of the fiscal policy.

The second axis / trends of financial policy in the Iraqi economy for the period (2003-2020), which in turn was divided into:

First: an analysis of the trend of public expenditures for the period 2003-2020.

Second: Analysis of the trend of public revenues for the period 2003-2020.

Third: Analysis of the net general budget for the period 2003-2020.

The third axis / analysis of monetary variables in Iraq for the period (2003-2020), which in turn was divided into:

First: Analyzing the developments in the money supply.

Second: Analysis of interest rate developments.

Third: Analysis of exchange rate developments.

The first axis / theoretical and conceptual framework for fiscal policy.

First: the concept of fiscal policy.

Fiscal policy is defined as the method that is implemented using the available financial policy tools to achieve economic, social and financial goals. (Al-Aassar, 2016: 265).

Some also know it as what the state seeks to plan its expenditures and revenues in order to reach economic and social stability as much as possible, as fiscal policy is concerned with the financial activity of the public economy. (Al-Qaisi, 2015: 83).

Fiscal policy is also defined as the government's policy with regard to the level of government spending, transfers and the tax structure in order to achieve certain objectives, the most important of which is reducing fluctuations in economic activity, in addition to maintaining a high rate of economic growth while limiting the sharp and random rise in prices. (Younis, Mandour, and Al-Sariti, 2000: 163).

It is also defined as a set of goals, activities, procedures and guidelines adopted by the government



to influence the national economy and society, which are adopted with the aim of maintaining the general stability and development of the national economy and addressing the problems it faces, so that it can face all the variables surrounding it (2018: 118, Tawfiq).

There is another definition that does not depart from the content of the previous definitions, and it clarifies that the fiscal policy is a set of rules, procedures and measures taken by the government in any country to achieve a set of agreed-upon goals during a certain period of time. (Abdul Hamid, 2005: 41)

From the student's point of view, it can be said that the concept of fiscal policy (it is the sum of the studied and intended government policies and procedures to manage the financial resources of the state's general budget and how it is spent in order to achieve the desired economic, social and financial goals and in line with macroeconomic policies to achieve economic stability).

Second: financial policy tools.

In continuation of the above, we find that the fiscal policy possesses a number of tools that are used to achieve its basic objectives and that are consistent with the economic, social and political objectives of the state and play an important role in influencing the general economic path. These means and tools are represented by the following: (Al-Shammari, 2020: 75)

1- Public expenditures: Public expenditure reflects the role of the state in economic life, as it has become the main tool for fiscal policy in the context of achieving its objectives. Public expenditures are defined as the sum of money spent by public authorities in order to achieve general social and economic goals and objectives, or in other words, the state pays Or whoever is affiliated with it with an amount of money to provide and achieve a public benefit (Al-Obaidi, 2011: 56), and from this definition it is clear that the public expenditure consists of three main elements "public expenditure is an amount of money" as it represents what the state or its bodies pay for the purpose of obtaining resources Productivity of goods and services that it needs to carry out its activities, such as paying workers' salaries, spending on the army and security, spending on public utilities, and spending on servicing the public debt. Satisfying a public need, such as spending on the army, public utilities, and economic projects. But if a person builds a hospital or a school to achieve his benefit, this is

considered a private spending "the purpose of public expenditure" meaning the purpose of it is to It provides a public benefit and satisfies a public need because individuals are equal in bearing the burden of taxes and fees, and therefore they are equal in benefiting from public expenditures, meaning that public expenditure is carried out by the government in particular, and then the spending policy can be defined as the government program that it adopts according to Its philosophy is to achieve economic, social and political goals, and the goal of the spending policy varies from one country to another according to the economic systems and according to the priorities that the state seeks to achieve. basic commodities of society. (Bakhit and Matar, 191: 2012).

2- Public revenues: Public revenues are often generated from a group of assets, but there is another type of revenue that the state achieves through its sovereign authority, such as taxes, fees and royalties, in an attempt to transfer these revenues from private use to public use in the context of exercising its public functions. Therefore, public revenues can be defined as the group of incomes that the state obtains from various sources to cover its public expenditures and achieve economic and social balance (Nased, 2009: 87). Public revenues were also defined as the sources from which the state derives the funds necessary to cover its various expenses in order to meet the public needs necessary for society (Taqqa and Al-Azzawi, 2007: 75), as public revenues represent the second tool within the financial policy and this tool has become one of the important financial policy tools that have A clear impact on economic and social activity, as it is a tool to prevent some unwanted activities, as well as direct investment, and the revenue policy can be divided into two main branches: (Allawi, 2016: 434).

A) Taxes: It is considered one of the financial policy tools, and Hyman defined taxes as mandatory payments that are imposed on activities, expenditures, jobs and income, and revenues collected from taxes are used to recycle spending on the production of goods and services, for example, to recycle purchasing power among individuals, (2011: 413, Hyman) where fiscal policy uses all types of taxes as a tool to achieve economic goals. Those who are characterized by their low marginal propensity to consume, and here the treatment is done through taxes, as the redistribution of income to people with low incomes, and transformational expenses used by the state to establish public services and facilities that benefit



people with low incomes and bear their expenses with high incomes, and tax policy may achieve more important goals, the tax Customs duties have multiple objectives, and their objective may be financial, during which large tax revenues will be achieved, provided that they are imported. The most common commodities in foreign trade. Its objective may be a deterrent, that is, it raises the customs tax rates on some foreign products that it does not want to enter because of its violation, for example, of the teachings of religions or for political reasons or for preventive reasons to protect local production and give it priority. The state also uses the tax as a tool to increase the consumption of individuals with limited income by reducing tax rates on their income, and the use of high tax rates on people with high incomes will not reduce their consumption. Instead, the fiscal policy aims to transfer part of the savings of this category into mandatory government savings. The impact of tax policy on encouraging productive investment in periods of stagnation and inflation must also be taken into consideration (Al-Amri and Al-Helou, 2020: 139).

B) Loans: They are the basic tool of public revenue tools in the financial policy, during which money is collected from savers to be reused in development projects by giving them to investors and businessmen. The bank then invests it in development projects directly or lends it to investors. The effectiveness of banks is an important indicator of the effectiveness of economic activities. It is the most important tool through which a particular type of economic activities or institutions are developed and not others. Accordingly, the investment behavior of the banks determines the course of the investment currency in the state, and loans are used to fill the deficit resulting from the increase in spending on revenues, which in turn contributes to achieving economic stability. (Al-Saadi and Hashem, 2021: 89)

Third: the monetary effects of the fiscal policy.

What concerns us in particular, in our study, is the third type of effects resulting from fiscal policy, which are monetary effects, the government can influence, not only on the size of financial and real assets, held by society, but also in the content or composition of these assets, and this is generated by Through the government's borrowing policy on the one hand, and on the other hand, through the government's use of the cash obtained from the tax surplus, the monetary implications of the fiscal policy are particularly reflected in the money supply, and it mostly results from the existence of a deficit or surplus in the public

budget, and how the It finances the first (the deficit) and uses the second (the surplus) (Al-Maliki, 2021:171)

In the event of a budget deficit, the government will have to assume sufficient funds to cover the aforementioned deficit, or the effects of financing the deficit depend on the money supply on the way in which this financing is conducted. The government may borrow from the central bank or commercial banks or may resort to the public for this purpose. If the government borrows From the central bank, this will not affect the money supply because borrowing does not affect the reserves of commercial banks. (Kazim, 2006: 29)

In the case of borrowing from commercial banks, for the purpose of financing the budget deficit, the effect of this type of borrowing depends on the reserves of the commercial banks. The government is to put pressure on the monetary authority to reduce legal reserves to allow commercial banks to lend to the government without affecting the private sector, and then the effect will be expansionary on the money supply in the same way as before, but in the absence of the above-mentioned reserves, the commercial banking system will be forced to deduct the funds intended for lending to the sector. The private sector and transferring it to the government, and here there is no effect on the money supply, but is limited to the increase in the cost of credit due to crowding out. (Al-Ghaliby, Al-Araji and Al-Asadi, 2022: 375)

But if the government borrows from the non-banking private sector, i.e. from the public, the money supply decreases in the short term but will not be affected in the long run, due to cash deposits, while it will increase by the same amount when individuals receive new payments from the government that generate additional incomes. For them, it is difficult to predict, because it depends on the amount of new innovations the banks have and the new reserves that the latter will have.

What we have explained so far about the monetary effects of a deficit in the government's general budget negates the popular saying that the deficit may not affect the money supply if the government borrows from the central bank and not from the banking sector in general, or the public. However, spending the borrowed amount in all cases. It will increase the incomes of individuals and then their monetary creations with commercial banks, which will lead to an increase in the latter's cash reserves to the expansion of the banking base for credit and thus the money supply will also increase, and there is no difference between them issuing new cash, as both means also



increase the supply of money intended for lending, and investment, and they encourage investment, especially if investors' expectations are optimistic as a result of the expansion of government spending.

In the case of a budget surplus, the effect of the tax surplus depends in part on how this surplus is used in general. The financing of the surplus assumes a contraction in the money supply, and since the tax in this case exceeds expenditures, and here it is possible to distinguish between the following cases:

1- The surplus may be used to increase the treasury cash and its deposits with the Central Bank, or to pay the treasury debts to the aforementioned bank, in the case that the public's money supply is shrinking due to a shrinkage in the size of the cash reserve at the banks, a contraction resulting from the existence of the surplus itself, which leads to a reduction in the availability of credit. And its high cost, and the Central Bank may work to counter this in part through a loose monetary policy.

2- If the surplus is used to increase government deposits with commercial banks, the requirements for the necessary legal cash reserve will also increase, which will lead in principle to a reduction in the money supply of the public as a result of the aforementioned surplus, but to a lesser degree than in the first case, and the surplus in this case will also reduce the credit base of the commercial banks, but to a lesser degree than the first case, and the surplus in this case will also reduce the credit of the commercial banks, but also to a lesser degree than the previous case, because the banks will not lose anything from their cash reserves.

3- But if the treasury extinguishes government bonds held by commercial banks, then the last cash reserves will rise, while the surplus will reduce the mentioned reserves by the same amount, then this amortization will restore these reserves to their previous status, while the surplus reduces the money supply, it increases the reserves of commercial banks. In the event that its government bonds are amortized, allowing it to lend amounts equal to the volume of

paid government papers multiplied by the lending coefficient (which is the inverse of the legal cash reserve ratio).

4- If the government uses the surplus to extinguish its debts and bonds with the public, this will not affect the cash reserves of the banks, nor their credit base, because the public's deposits with banks will increase whenever the government extinguishes part of its bonds, and thus there will be no effect on the money supply of the public because the surplus. It will return as payments to amortize the general government debt held by individuals.

Thus, all the effects of the tax surplus on the economy depend in part on the method of using the surplus, as some of its uses lead to a reduction in the money supply of the public and cash reserves at banks, which leads to a reduction in spending in the private sector, by reducing the availability of credit and increasing its cost. On the other hand, The use of the surplus to amortize government bonds held by commercial banks or the investing public outside the banking sector may actually increase the supply of credit for the private sector,

This is on the one hand and on the other hand, given that fiscal policy has such important effects on the money supply, the necessity requires that close cooperation prevail between the treasury and the central bank, or between the financial authority and the monetary authority, and this requires that there be consensus between them, not only about the goals that they seek, but also about the means of achieving these goals as well, something that events have always and everywhere proven, whether in developed countries or economically backward countries. (Mr. Ali, 1970: 418)

The second axis / trends of financial policy in the Iraqi economy for the period (2003-2020).

In this axis, the developments that took place in both public expenditures and public revenues will be analyzed, in addition to the analysis of developments in the general budget of the Iraqi economy.

Table No. (1)
 Analysis of the trends of fiscal policy in Iraq for the period 2003-2020.
 (million Iraqi dinars)

the year	Total expenses	Total Expenditure Growth Rate	Total revenue	Total revenue growth rate
2003	1982548	—	2146346	—
2004	32117491	1520,01	32982739	1436,69
2005	26375175	-17,87	40502890	22,80
2006	33487877	26,96	49055545	21,11



2007	33545144	0,17	54599451	11,30
2008	59403375	77,08	80252182	46,98
2009	52567025	-11,50	55209353	-31,20
2010	64351984	22,41	69521117	25,92
2011	69639523	8,21	99998776	43,83
2012	90374783	29,77	119466403	19,46
2013	106873027	18,25	113767395	-4,77
2014	83556226	-21,81	105386623	-7,36
2015	70397515	-15,74	66470252	-36,92
2016	67067437	-4,73	54409270	-18,14
2017	75490115	12,55	77335955	42,13
2018	104158183	37,97	106569834	37,80
2019	133107616	27,79	107566995	0,93
2020	148606809	11,64	63199689	-41,24

Source / table from the researcher's work based on:

- Central Bank of Iraq, Statistical website, different years, <https://www.cbi.iq>.
 - Columns (3, 5) of the researcher work, based on the data of columns (2, 4).
- First: an analysis of the trend of public expenditures for the period 2003-2020.

Public expenditures in Iraq during the period of the study 2003-2020 witnessed various changes, in response to the economic, social and political changes, as we note through Table (1) the development that occurred in expenditures during the study period, as the growth rates during the period 2003-2013 continued to rise, It increased from (1982548 million dinars) in 2003 to (106873027 million dinars) in 2014, achieving its highest positive growth rate in (2004), (2008) and (2012) with growth rates of (1520.01 %) and (77 The effect of the noticeable increase in public revenues, with the exception of (2005) and (2009), in which expenditures decreased from (26375175) and (52567025) with negative growth rates of (-17 The reason for the decline in public expenditures for the year 2009 is due to the occurrence of the global financial crisis in 2008, and this led to a decrease in oil prices, which is the main source of revenue in Iraq, as well as Iraq's entry In the ISIS war in 2014, this also led to the prevention of the export of oil from the occupied cities, as well as the weakening of the oil-producing infrastructure.

As for the period 2014-2020, where this period also witnessed a high increase in total expenditures in

general, specifically the increase in military expenditures, which was represented in providing the army with weapons and increasing employment in the security apparatus significantly, which resulted in the allocation of new salaries (current expenses), which affected Negatively on investment expenditures, and upon examining the data contained in Table No. (1), we note that the growth rates during the period 2014-2020 took a rise, as it rose from (83,556,226 million dinars) in 2014 to (148,606809 million dinars) in 2020, achieving the highest level in It has a positive growth rate in 2017, 2018 and 2019 with growth rates of (12.55 percent), (37.97 percent) and (27.79 percent), respectively, and this shows the size of the huge increase in spending during this period, with the exception of In 2014, 2015 and 2016, expenditures decreased from (83556226), (70397515) and (67067437), with negative growth rates of (-21.81%), (-15.74 percent) and (-4.73 percent).) respectively, and the reason for the decline in public expenditures for 2014, 2015 and 2016 is due to the prevention of oil exports from some cities due to the conflict with other organizations This led to a decrease in the exported



quantities of oil transported through the territories of these countries.

Second: Analysis of the general revenue trend for the period 2003-2020.

The importance of analyzing the trend of public revenues comes from being one of the pillars of the general budget, which in turn determines the features and objectives of the government's economic program on the one hand, as well as the relationship between the sources of revenue and the potential monetary repercussions for them according to their nature on the other hand.

It is noted from Table No. (1) that the trend of public revenues has been on the rise during the period 2003-2020, as public revenues increased from (2,146,346 dinars) in 2003 to about (113,677395 million dinars) in 2013, as public revenues continued to rise, but declined within a year 2009 to (55,209353 million) dinars, as it achieved a negative growth rate of (31.20-percent) as a result of the global financial crisis in 2008 and the accompanying drop in oil prices in the international market, to rise again during the years 2010, 2011 and 2012, as shown In Table No. (1), they amounted to (69521117 million dinars), (999998776 million Iraqi dinars) and (119466403 million dinars), with varying growth rates of (25.92% dir), (43.83%) and (19.46). %), but during the year 2013, public revenues declined, reaching (113,767395 million Iraqi dinars), with a negative growth rate of (4.77-7%), to continue that decline in the years 2014,

2015 and 2016, reaching (105386623 million Iraqi dinars) and (66,470,252 million dinars) and (54,409,270 million dinars), with negative growth rates, respectively (-7.36%), (-36.92 percent) and (-18.14%). In 2017, it rose again, reaching (77,335,955 million dinars) with an annual growth rate of (42.13 per cent), to continue to rise in 2018 and 2019 as it reached (106569834 million dinars) and (107566995 million dinars), with similar growth rates of (37.80% dirhams and 0.93%. In 2020, public revenues declined significantly, amounting to about (63,99689 million dinars), with a negative growth rate of (-41.24%).

Third: Analysis of the net general budget in Iraq for the period 2003-2020.

The general budget is of great importance in economic policy, and its impact, directly or indirectly, on many variables of the economy as a whole, and here the study of the general budget in Iraq gained great importance in terms of addressing in detail the years of deficit and surplus during the study period and its direct or indirect impact, The Iraqi budget was characterized by a surplus as a result of the continuous rise in the public revenues in Iraq approved mainly on the oil side, and as a result of the importance of these committees of the financial policy and to determine the actual reality of the deficit or surplus in the general budget. Its relationship to the gross domestic product and will be explained in detail, successively, as follows:

Table No. (2)
 The evolution of the general budget in Iraq for the period 2003-2020.
 (million Iraqi dinars)

the year	Deficil or surplus	Deficit or surplus growth rate	GDP	Deficit or Surplus/GDP
2003	163798	—	29585788,6	0,55
2004	865248	428,24	53235358,7	1,62
2005	14127715	1532,79	73533598,6	19,21
2006	15567668	10,19	95587954,8	16,28
2007	21054307	35,24	111455813,4	18,89
2008	20848807	-0,97	157026061,6	13,27
2009	2642328	-87,32	130643200,4	2,02
2010	5169133	95,62	162065565,5	3,18
2011	30359253	487,31	217327107,4	13,96
2012	29091620	-4,17	254225490,7	11,44



2013	6894368	-76,30	273587529,2	2,51
2014	21830397	216,64	266332655,1	8,19
2015	-3927263	-117,98	194680971,8	-2,01
2016	-12658167	222,32	196924141,7	-6,42
2017	1845840	-114,58	221665709,5	0,83
2018	2411651	30,65	268918874	0,89
2019	-25540621	-1159,05	276157867,6	-9,24
2020	-85407120	434,39	219768798,4	-38,86

Source / table from the researcher's work based on:

- Central Bank of Iraq, Statistical website, different years, <https://www.cbi.iq>.
- Columns (2,3) of the researcher work, based on the data in Table (1).

We note from Table No. (2) that the average growth rate of the surplus for the period 2003-2013 of the general budget amounted to (242.06%), after the third Gulf War in 2003 and the lifting of the economic embargo imposed on Iraq, Iraq's oil revenues increased, which led to Increasing public revenues despite the decline in other revenues (tax and non-tax), at a time when public spending focused mainly on current expenditures. The increase in public revenues exceeded the increase in public expenditures, which led to a surplus in the public budget in 2003 amounting to Its value is (163798 million dinars), and that the surplus during this period was the result of an increase in the revenues of one source only. The value of the surplus in 2005 amounted to (14,127,715 million dinars), with a growth rate of (1532.79 per cent), and the ratio of the surplus to the gross domestic product amounted to 19.21 per cent, and the reason for this was the increase in public revenues, especially oil Public expenditures declined, and the state of surplus continued to increase A sequence for the following years 2006, 2007 and 2008 with a value of (15567668 million dinars), (21054307 million dinars) and (20848807 million dinars), after which the size of the surplus decreased in 2009 to (2642328 million dinars), as it achieved an annual growth rate in those years. The period (-87.32 percent), and the surplus as a percentage of the GDP declined to (2.02%), and that the reason for the surplus's decline was as a result of the collapse of oil prices as a result of the financial crisis during that period, as it fell to its lowest level and from Then the decline in oil revenues.

It also recorded the largest surplus in the general budget in 2011, amounting to (3,0359,253 million dinars), with a growth rate of (487,31%), and the

surplus to GDP was (13.96%), and the reason for this was the increase in oil revenues, which led to that. To increase the general revenue of the country.

The amount of the surplus at current prices decreased in 2012 to (29091620 million dinars), with a negative growth rate of (-4.17 percent).

The year 2013 witnessed a deficit in the general budget, so the value of the deficit amounted to (6894,368 million dinars) with a negative growth rate (-76.30 percent dirhams), and its percentage of the gross domestic product amounted to (2.51% dirhams). The reason for this deficit is the decrease in public revenues as a result of Decline in oil export revenues due to the drop in international oil prices.

When extrapolating the financial position of the general budget for the period 2014-2020, we note that the average deficit for this period amounted to (-69.66 percent), and it becomes clear to us through Table No. (2) that the size of the surplus during this period remained continuous for the year 2014, as the general budget recorded a surplus Financially, in 2014 it amounted to (2183,0397 million dinars), with a growth rate of surplus of (216.64 percent) and a surplus to GDP (8.19 percent), but soon a deficit occurred in the general budget in 2015 with an amount of (-3927263 million dinars). With a negative growth rate of (-117.98 per cent), and a deficit to GDP ratio of -2.01%, this deficit continued in 2016 at (-12658,167 million dinars) and a growth rate of (222.31 per cent), with a percentage of Of the gross domestic product, it was negative, amounting to (6.42-6%), while during the years 2017 and 2018, the budget returned to a surplus state, with an amount of (1845840 million dinars) and (2411651 million dinars), respectively, and with a percentage of GDP that amounted to (0) 3.83%) and



(0.89%), while the deficit existed for the years 2019 and 2020 at (-25540621 million dinars) and (-85407120 million dinars), respectively, with a deficit growth rate of (-1 159.05 percent and (434.39 percent) respectively, which is the worst since 2016 due to the decline in resources, the rise in debt costs, war and current expenditures, and a growth rate in the general budget deficit (-9.24 percent) and (-38.86 percent).) of the gross domestic product, as it is clear that the state of the general budget in the Iraqi economy was and still has been linked mainly to oil revenues, which are determined in light of international oil prices (external factor) and the amount of domestic oil production (internal factor), so the changes of these factors will Its impact is directly reflected on the state's general budget.

The third axis / analysis of monetary variables in Iraq for the period 2003-2020.

This axis deals with the analysis of the developments of the money supply, the interest rate and the exchange rate.

First: Analyzing the developments in the money supply.

Usually a distinction is made between three main concepts of money supply according to the nature of deposits included in addition to the currency in circulation. The first includes the concept of money supply in the narrow sense (M1), which includes the net currency in circulation as well as current deposits of the private sector, while the second is known as the concept of money supply in the sense The broad (M2) includes (M1) in addition to savings and future deposits of the private sector in commercial banks, while the third concept, which is the money supply in the broadest sense (M3), expands to include an increase in the money supply in the broad sense (M2) deposits outside commercial banks.

There is no doubt that the importance of adopting the appropriate concept depends on a number of factors, foremost of which is the extent of the economy's progress, the nature of its structure, the degree of development of the financial and banking system and the banking returns in it (Al-Shammari, 2012: 223). M1) and wide (M2) for the period 2003-2020 through the following table:

Table No. (3)
 The evolution of money supply in the narrow and broad sense in Iraq
 for the period 2003-2020.
 (million Iraqi dinars)

the years	Money supply in the narrow sense (M1)	Money supply in the broad sense (M2)	Narrow money supply growth rate (M1)	Broad money supply growth rate (M2)	monetary stability coefficient	Economics Critical Degree
2003	2898189	4021847	—	—	—	13,59
2004	10148626	11498148	250,17	185,89	3,12	21,59
2005	11399125	14659350	12,32	27,49	0,32	19,93
2006	15460060	21050249	35,62	43,60	1,18	22,02
2007	21721167	26919996	40,50	27,88	2,43	24,15
2008	28189934	34861927	29,78	29,50	0,72	22,20
2009	37300030	45355289	32,32	30,10	-1,99	34,71
2010	51743489	60289168	38,72	32,93	1,60	37,20
2011	62473929	72067309	20,74	19,54	0,60	33,16
2012	63735871	75336128	2,02	4,54	0,11	29,63
2013	73830964	87526585	15,84	16,18	2,07	31,99
2014	72692448	90566930	-1,54	3,47	0,58	34
2015	69613150	84527272	-4,24	-6,67	0,15	43,41
2016	75523952	90466370	8,49	7,03	7,38	45,93
2017	76986584	92857047	1,94	2,64	0,15	41,89
2018	77828984	95390725	1,09	2,73	0,05	35,47
2019	86771000	103441131	11,49	8,44	4,27	37,45
2020	103353556	119906260	19,11	15,92	-0,93	54,56

Source / table from the researcher's work based on:



- Central Bank of Iraq, Statistical website, different years, <https://www.cbi.iq>.
- Columns (4, 5, 6, and 7) are the work of the researcher based on the data of columns (2, 3).

A) The evolution of money supply in the narrow sense (M1).

The money supply in the narrow sense (M1) depends on two main elements, namely the net currency in circulation and current deposits, but the ratio of these two elements varies from one country to another to reflect this discrepancy in the development of the monetary and banking environment in the economy, noting that there are other components known as quasi-cash (secondary liquidity) which includes credit deposits, fixed deposits, savings and savings deposited with savings institutions and intermediary (non-monetary) financial institutions such as insurance companies, finance and investment companies, social security and liquidity institutions.

The statistics in Table (3) show an increase in the money supply in absolute and relative terms for the study period, as the period 2003-2020 witnessed an abundance of oil revenues, and then the money supply (M1) continued to increase as it rose from (2898,189 million dinars) in 2003 to (103353556 million). Dinars) in 2020, with a growth rate of 19.11 4%, and the aforementioned increases were distributed between the currency in circulation and current deposits, and that the sources of money supply growth came from several aspects, the most important of which is the new cash issuance resulting from the replacement of the Iraqi currency the old currency in the new currency in order to address the existing problems in the old Iraqi currency that made it unable to properly perform its functions as a medium of exchange and a store of value. As for the other source of growth in the money supply, it came as a result of the increase in net foreign assets. M1) states that it recorded a remarkable increase during the period 2003-2020, with varying rates ranging between (250.17%) in the year 2004, which is the highest growth rate during the study period. There is an increase in salaries and wages, compared to (1.09%) in 2018, which is the lowest growth rate for the same period, while the money supply in the narrow sense (M1) recorded negative growth rates in 2014 and 2015 that amounted to (-1.54 percent). and (-4,24%), respectively, due to a decrease in net foreign assets as a result of the drop in international oil prices at the beginning of the second half of 2014, as well as the misuse of resources from foreign currency, the reluctance to implement investment plans and the spread of financial corruption, and then the impact

The money supply was negatively affected by the size of the money supply and its growth rate. In 2016, the money supply (M1) increased, as it recorded a positive growth rate of (8.49%), and this increase was mainly due to the growth of the currency in circulation, in contrast to the decline in the relative importance of current deposits and the reason is due This led to a state of fear on the part of the public to keep cash savings to face the state of uncertainty in light of the economic stagnation of the country.

In the years 2017 and 2018, the money supply (M1) increased at similar rates, amounting to (76986584) and (77828984), and at growth rates of (1.94 percent) and (1.09%), which is mainly due to the growth of current deposits. While the currency outside the banks recorded a slight increase.

As for the years 2019 and 2020, the money supply recorded an increase with growth rates of (11.49 %) and (19.11 %), and this is a result of the growth of the currency in circulation, and this rise is attributed to the rise in public spending during the spread of the health crisis on supplies. Medical and rehabilitation of hospitals, as well as granting grants to families during the implementation of the comprehensive ban.

Note that the aforementioned disparity was not limited to changes in the money supply, but rather included the relationship between the annual change in it and the annual change in the gross domestic product, as it is clear from the data of Table (3) the disproportion between the two rates, which is illustrated by the monetary stability coefficient, which indicates that the increase witnessed by the means of The payment was not matched by an increase in the supply of goods and services at the same rate, meaning that the period 2003-2020 was characterized by instability, which amounted to (3.12%) in the year 2004 to decline to record (0.32%) in 2005, but it rose again to reach To a percentage of (2.43%) in 2007, to decline again to (-1.99 %) in 2009, which is the lowest percentage, and then rise again, to (7.38%) in 2016, which is the highest percentage For him, in the year 2020, the monetary stability rate decreased again, reaching (0.93%) after it was (4.27%) in 2019.

b) The evolution of money supply in the broad sense (M2).

The money supply (M2) (domestic liquidity) is one of the most important monetary variables that reflect the picture of the economic situation at a certain point in



time. Changes in it lead to important changes in other economic variables such as output, prices, exchange rates and interest rates. The central bank is the monetary authority that controls the money supply, whether through the issuance of legal money or through the monetary multiplier or banking and credit control.

In turn, the money supply in the broad sense (M2) also witnessed successive increases during the study period until about (11990,6260 million dinars) in 2020, with a growth rate of (15.92%) after it was recorded at (4021,847 million dinars) in 2003, and it was distributed The aforementioned increases on each of the money supply in the narrow sense (M1) on the one hand and quasi-cash on the other hand, as we note from Table (3) that (M2) has increased at different rates, reaching (4021847 million dinars) in 2003, while in 2004 And in 2005, the increase in (M2) continued, reaching (11498,148 million dinars) and (14659350 million dinars) at decreasing rates (185.89% dirhams and (27.49%) respectively, but during the years 2006-2010 the increase also continued in (M2) With varying growth rates, it was in 2006 (43.60%) but declined in 2007 (27.88%), but during the years 2008, 2009, 2010 it continued to increase and growth rates reached (29.50%), (30.10%), (32.92%), respectively, and this is due to the increase in banking awareness among individuals. The money supply continued to increase during the years (2011-2014) with varying growth rates of (19.54%), (4.54%), and (16.18%). This is due to the delay in the impact of the general budget during those years, 3.47%, respectively, while 2015 witnessed a decrease in (M2) amounting to (84,527,272 million dinars) with a negative annual growth rate (-6.67 %) due to the drop in prices Oil and a decrease in net foreign assets. As for the years (2016-2020), we note that (M2) has increased at varying rates of growth as well (7.03% DP), (2.64% DP), (2.73% DP), (8.44%), and (15.92% DP). This increase in growth is a result of the growth of money supply in the narrow sense (M1).

The Iraqi economy (as is the case in the rest of the developing economies) is still characterized by a low degree of monetary value, despite its improvement over the period 2003-2020, as the ratio of money supply in the broad sense (M2) to GDP reached the limits of (13,59 %) in 2003 Then it increased to (21,59 %) in 2004, while the decline returned to about (19.93 %) in 2005 to rise in the period 2006-2015, when it reached at the end of it to about (37.20 %), However, it decreased in the years 2011 and 2012 to (33.16 per cent) and (29.63 per cent), respectively, and then rose again for the period 2013-2016,

reaching approximately (45.93 per cent) in 2016 and then The decline recurred for the years 2017, 2018 and 2019 at rates of (41.89 %), (35.47 %) and (37.45 %), respectively. This decrease in the degree of monetary economy is mainly due to the limited spread of banking habits. , due to the low banking density (Abdul Nabi, no publication date: 8), which reflects a deficiency in banking services to meet the requirements of economic activity, which deprives a large number of the population from benefiting from the banking service.

From the foregoing, it can be said that the money supply in Iraq, in its narrow and broad terms, has increased significantly during the study period 2003-2020.

Second: Analysis of interest rate developments.

Interest is what is paid for the use of money, and the interest rate is the rate that borrowers must pay to obtain current purchasing power against future purchasing power (Guartney and Starop, 1988: 468), and is the percentage of the amount of interest relative to the principal amount as a basis (Abdul. Ar-Rahman and Erekat, 2004: 474).

Liberalizing the interest rate is one of the main pillars of the financial reform strategy in Iraq in the new phase. Since the first of March 2004, the immediate and complete liberalization of interest rates on all domestic financial instruments (deposits, loans and securities) took effect, as the Central Bank announced its abandonment of determining The interest rates charged or paid by banks and intermediary financial institutions to their customers, which he used as a direct monetary tool throughout the siege period, as he modified interest rates more than once during that period, based on Article 57 of the previous law, which was canceled in the current law and according to the new directions. Abd al-Nabi, no published date: 3).

Such a measure is an important step towards the birth of a contemporary and efficient financial sector that allows borrowers to make their own decisions instead of making them constrained by directives and orders issued by the Central Bank. In addition, it stimulates businesses and projects to raise their productivity and increase their profitability, and thus raise the productivity of the economy on a large scale.

The interest rate, despite its liberalization after the year 2003a, but the banks continued to guide to a large extent the trends of the policy rate (the bank rate) (Mishkin, 2004:429), as the monetary authority raises the bank rate when the total spending is greater than the productive capabilities of the economy And when prices are outside the scope of its equilibrium,



and thus the monetary authority works within the framework of implementing its operations in managing liquidity and according to what determines the growth rates of the monetary mass in proportions equivalent to the real flows of goods and services (Al-Shabibi, 2007: 25)

According to economic theory, borrowing through the issuance of new government bonds or treasury bills in the financial markets in which they compete with the private sector leads to higher interest rates (the cost of borrowing increases) and then private investment spending decreases, which negatively affects aggregate demand, which negatively affects policy. Expansive finance reduces its effectiveness, and the effect of investment crowding out can be stopped in two cases: the central bank follows an expansionary

monetary policy by purchasing government bonds in the open market and then increasing the amount of money in circulation, and this leads to an increase in aggregate demand due to the effect of the increase in the amount of money in circulation. This is supported by the monetary school, and if private investment spending is less flexible with respect to changes in the interest rate, the rise in the interest rate resulting from the expansionary fiscal policy will have little effect on private investment spending, and this limits the effect of investment crowding out, and the fiscal policy will be effective and influencing the demand. This is confirmed by the Keynesian school in its painful defense of fiscal policy (Al-Sayyid Ali and Al-Issa, 2004: 433-434).

Table No. (4)
 Interest rates (%) at the Central Bank and banks operating in Iraq
 for the period 2004-2020.

Central Bank of Iraq	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
policy price	6	7	16	20	15	7	6	6	6	6	6	6	4	4	4	4	4
Interest on the initial credit	8	9	18	22	17	9	8	8	8	8	8	8	6	6	6	6	6
Interest on subordinated credit	9	10	19	23	18	10	9	9	9	9	9	9	7	7	7	7	7
Lender of last resort benefit	9,5	10,5	19,5	23,5	18,5	10,5	9,5	9,5	9,5	9,5	9,5	9,5	7,5	7,5	7,5	7,5	7,5
Overnight investment interest rate in IQD	4	5	14	18	—	—	—	—	—	—	—	—	—	—	—	—	—
Interest on an investment for seven days in IQD	—	—	—	18	13	5	4	4	4	4	1	1	0,5	0,5	1	1	1



A - the interest rates paid

saving	6, 5	5, 5	6	10	8,8	5,9 3	5,3 4	5,2 8	5,0 1	4,7 3	4,2 4	4,5 7	4,3 9	3,9 6	3,7 9	3,5 7	3,4 1
Interest on fixed deposits for a period of six months in IQD	7, 1	6, 4	7	11,1 6	9,8	6,9 3	5,7 6	5,9 7	5,8 6	5,6 4	4,9 9	4,8 4	4,6 6	4,4	4,3	4,1 3	4,1 5
Interest on fixed deposits for one year in IQD	8	7, 1	7, 7	12,3	11, 1	1,8	6,7 7	6,9 5	6,7 8	6,4	5,9	5,7 1	5,7 5	5,4 6	5,1 7	5,1 9	4,8 8
Interest on fixed deposits for two years in IQD	9, 1	7, 9	8, 5	13,6	12, 2	9,0 8	7,8 6	7,8 5	7,8 3	7,3 6	6,5 1	6,0 8	6,0 9	5,8 4	5,9 3	5,4 1	5,5 3

B- The interest rates charged

Interest -Rate-Current Account (Over Draft) in IQD	13, 7	14, 5	15, 3	21, 2	18, 9	15, 95	14, 83	14, 64	14, 57	14, 3	13, 63	13, 47	13, 68	13, 27	13, 5	13, 44	13, 66
Interest -Rate on Discounted bill of exchange	13, 3	14, 3	15	20, 6	19, 1	15, 46	14, 51	14, 3	14, 4	14, 33	11, 63	13, 58	13, 47	13, 01	13	13, 06	13, 17



e in IQD																	
Interest -Rate Short term Loans in IQD	12,7	13,9	15,1	20,6	18,1	15,06	14,28	14,15	13,75	13,46	12,49	12,34	12,38	12,55	12,17	12,28	12,25
Interest -Rate Medium Term Loans in IQD	12,9	14	15,7	21,8	17,8	14,39	13,19	13,74	12,86	13,01	12,3	12,27	12,24	12,38	11,97	11,87	12,1
Interest -Rate Long Term Loans in IQD	13,5	14,7	16,2	20,5	18	15,23	14,15	13,94	13,56	13,73	12,94	11,97	11,85	12,18	11,89	12	11,94

Source / table from the researcher's work based on:
 - Central Bank of Iraq, Statistical website, different years, <https://www.cbi.iq>.

And in implementation of the monetary policy adopted by the Central Bank to contribute to stimulating banks to improve economic growth by providing appropriate credit for private sector activities, and through table (4) we review the development of interest rates in Iraq during the study period, which shows the high interest rates after the year 2004 to reach in The year 2007 to (20%), where the reference to the interest rate on the Iraqi dinar gained for the first time stability, which in turn reflected on the stability of transactions in the Iraqi economy and strengthened the financial system and gave monetary policy an opportunity for stability in the most exceptional circumstances, after which the interest rate began to decline to reach (6) %) in 2010, and that the Central Bank continued to rely on the interest rate (policy rate) (6%) annually, which has been in force since 2010, which positively reflected on the balance of commercial banks of capital to finance private sector projects and support development, and the interest rate continued with this The level until 2015, but it decreased in 2016 to (4%), and it remained at this percentage (4%) until the year 2020. While the interest rates on the primary credit recorded their highest rate in 2007, which amounted to (22%), after which it decreased to (8%) in 2010 and continued at this rate until 2015, declining further during the period 2016-2020 to (6%)) Respectively, as for the interest on subordinated credit, it also

recorded its highest rate in 2007, reaching (23%), then declining to (9%), and it continued on this percentage until 2015, and decreased during the period 2016-2020 from (9%) in 2015 to reach (7%) in 2020, and the interest of the lender of last resort decreased during the aforementioned period from (23.5) in 2007 to (7.5%) in 2020.

As for the interest on savings deposits, it was also the highest in 2007, reaching (10%) and then declining to reach (3.41%) in 2020.

The same applies to the interest rates charged, as they were the highest in 2007, after which they decreased and continued to decline until the year 2020.

This decline had a major role in bringing investments into the country, which enhanced the purchasing power of the Iraqi currency and the stability of exchange rates.

Third: Analysis of exchange rate developments.

After the change of economic philosophy in Iraq after the year 2003 and the issuance of the Central Bank Law No. 56 of 2004, the monetary authorities worked to control exchange rate fluctuations, and followed the currency auction policy to achieve this, and this policy proved its effectiveness in controlling the fluctuations of the exchange rate of the Iraqi dinar against the US dollar, from During oil sales and its foreign currency,



which constitutes a support factor for the assets of the Central Bank, which gave the Central Bank strength to achieve stability in the exchange rate and its proximity to the real price (Al-Shammari and Bakheet, 2013: 8), the intervention of the Central Bank of Iraq in the currency auction had a positive effect. In the stability

of the exchange rate in Iraq, despite the volume of public spending in Iraq, especially the demand for goods and services in front of the weakness of domestic production in covering aggregate demand, and the development of the exchange rate in Iraq can be seen through Table No. (5) and my agencies:

Table No. (5)
 Currency window and the exchange rate of the Iraqi dinar against the US dollar
 for the period 2003-2020.

The exchange rate of the Iraqi dinar against the US dollar	window sale process
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the years	Market exchange rate	Window exchange rate (base rate)	Central Bank purchases from the Ministry of Finance (1)	Central Bank Sales (2)
2003	1936	1896	900	117
2004	1462	1460	500	645
2005	1478	1474	2650	861
2006	1396	1391	4000	308
2007	1214	1217	5000	681
2008	1180	1172	6000	2501
2009	1185	1170	3500	2831
2010	1185	1170	6000	3401
2011	1217	1170	8000	3940
2012	1222	1166	8000	4099
2013	1222	1166	8500	4777
2014	1206	1166	3500	3920
2015	1216	1182	2700	3415
2016	1303	1182	2565	3567
2017	1252	1184	4200	3467
2018	1195,31	1182	5000	4134



2019	1201,71	1182	6093	4988
2020	1351,35	1304	1000	3195

Source / table from the researcher's work based on:

- Central Bank of Iraq, Statistical website, different years, <https://www.cbi.iq>.

At a time when the Iraqi dinar exchange rate against the US dollar in the parallel market improved by decreasing from (1936) in 2003 to (1462) in 2004, but it declined to 1396 and 1214 dinars per dollar during the years 2006 and 2007, respectively, to rise after that until nearly 1180 dinars per dollar in 2008, and it continued to rise, as it settled at 1185 dinars per dollar during the years 2009 and 2010, while in subsequent years a decrease in its value was recorded until 2014, when it witnessed a significant decline in the parallel market, accompanied by a decline in the Central Bank's purchases of The foreign currency from the Ministry of Finance along with sales, as shown in Table (5), after which the rate of the Iraqi dinar exchange rate against the US dollar in the parallel market rose to 1216 dinars per dollar in 2015, due to the interaction of the factors of normal demand and demand resulting from speculative expectations, This was reflected in the increasing gap between the official exchange rate and the parallel exchange rate, and the decline in oil prices (the main source for providing the dollar) played a major role in the decline in Iraq's imports of currency, but it continued to rise in 2016 to reach (1303) dinars per dollar, and the reason is due to the high needs of citizens for foreign currency for the purposes of travel and medical treatment, as well as the development of the Central Bank of currency selling procedures by encouraging banks to adopt a mechanism for opening documentary credits instead of remittances, but the parallel exchange rate has witnessed a decrease In 2017, it recorded (1251) dinars per dollar and continued to decline in 2018 to record (1195.31) dinars per dollar. Purchased from the Ministry of Finance by the Central Bank, but it rose again during the year 2019, as it reached (1201.71) dinars per dollar and continued to rise in 2020 until it reached 1351.35 dinars per dollar, and the reason for this decline in exchange rates To the reflection of the independence of the Central Bank in managing monetary policy, as the application of the currency auction policy had an important role in the stability of the exchange rate during the years from 2008 to 2010, so this period is considered the golden period for the Central Bank for the stability of the exchange rate and Economic stability, in addition to the reserve, which amounted to (60) billion in 2011 (Saleh, 2011: 5), but

in 2012 the exchange rate rose as a result of the increase in demand for the US dollar in the Iraqi market, and the reason for this was the US sanctions on Iran and the consequences thereof From the smuggling of currency to Iran through the Iraqi market, as well as the expansion of money laundering operations in Iraq through the foreign currency auction (Shendi, 2015: 161)

It is worth noting that the foreign currency auction managed by the Central Bank depends mainly on the Ministry of Finance's sales of foreign currency to the bank, which accounted for 99% of the total sources of foreign currency purchased financed for the auction, but in return the Central Bank's sales were very high to cover imports mainly As happened in 2014, 2015 and 2016 respectively, as well as the year 2020 as in Table (5), especially that restricting or rationing the flow of foreign funds to citizens is a trend that contradicts the freedom of external transfer and Iraq's commitment to international financial agreements, especially the provisions of Article VIII of the Fund Agreement International Monetary obligating member states to adopt freedom of external transfer and lift restrictions imposed on the movement of citizens' funds, with the exception of legal violations resulting from money laundering (Abd al-Nabi, undated: 13)

CONCLUSIONS AND RECOMMENDATIONS:

In light of what was mentioned in the topics discussed in the study, we find that it is necessary to include some necessary conclusions and recommendations, which are as follows:

First: the conclusions

1- The inability of the Iraqi economy to develop other sources of financing and the total dependence on oil revenues as the only source of financing economic activity, due to the failure to invest the surplus achieved in the general budget during the period of high oil prices, and this appeared through the budget deficit due to low oil prices, and then appeared The problem again is the high deficit on the one hand and the high public debt on the other.

2- It is expected that the financial dominance of public revenues will continue in the coming years due to the inability of investment spending to stimulate the



non-oil sectors due to the low implementation and fluctuation of investment spending.

3- The fiscal policy tends to cause instability in the economic situation due to the rapid increase in public spending and its unbalance on the revenue side.

4- The state's general budget faced two types of imbalance during the study period, as the first type represented a deficit and the second a surplus, and that the two were caused by wars, fluctuations in oil prices and structural imbalances that the Iraqi economy suffers from most of the time, so it can be concluded that this imbalance faced by the budget The general was of both cyclical and structural types.

5- An increase in the monetary stability coefficient, which amounted to about (4.27%), meaning that every increase in GDP by (1%) was offset by an increase in the money supply by (4.27%), which indicates signs of Inflationary pressures that can be exposed if this percentage continues to rise.

SECOND: RECOMMENDATIONS

1- Coordination between the fiscal and monetary policies in a way that contributes to reducing the inflationary effects of the spending policy on the one hand and enhancing the efficiency of achieving macroeconomic goals on the other hand.

2- The need for the interaction between the fiscal and monetary policies to be associated with the existence of an efficient institutional framework that enhances the independence of the Central Bank and achieves financial discipline.

3- Work to achieve financial sustainability and keep public spending away from external shocks to the public finances in Iraq as a result of oil rents, by stopping loans because of the serious risks that threaten the economy and benefiting from oil surpluses in establishing a sovereign fund for economic stability as it can work This fund will invest surpluses when oil prices rise and the possibility of compensating for the shortfall in revenues that occurs when oil prices drop. This fund will also reduce the impact of these shocks, as well as achieve gains from the investments of this fund.

4- Reducing the gap between current spending and investment spending, as the latter is a productive spending that contributes more to revitalizing the financial market.

5- Preparing short-term and long-term plans to benefit from the oil revenues (depleted) to stimulate and develop the industrial and agricultural sector, which is considered permanent revenues, and to support and develop the private sector.

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