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Measuring the effectiveness of fiscal policy on economic activity in Iraq for the period (2005-2020)

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Abstract
Spending is an instinctive, biological behavior and an important aspect of the activities that the state performs towards its citizens, as it represents the face of the state's authority, and it was revealed through research the depth of the relationship between gross domestic product and spending in all its forms, and this is shown by the work of the multiplier in the economy, but in the Iraqi economy the volume of spending does not affect the The multiplier in the economy as well as the effect of the accelerator on economic activity. The study dealt with consumer spending in the Iraqi economy and the nature of investment spending during the study period, by relying on the extractive sector and its significant role in the gross domestic product. And debt, through the standard model, it was found that there is a long-term balance between the gross domestic product and public spending and other variables in the model, and the study concluded that the dependence of the gross domestic product on the extractive sector in generating revenues was not the result of the interaction between the economic sectors and the generation of added value.

Keywords: Gross domestic product : Public spending : Consumer spending : Investment spending : Taxes

Introduction

The tools of fiscal policy in Iraq are among the most problematic economic variables and cause concern to the maker of fiscal policy, because they affect economic activity, especially the aggregate

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demand side, through the increase in current spending in the general budget, and fiscal policy in Iraq during the years of study is greatly affected by fluctuations With regard to crude oil prices, then fiscal policy is a double-edged sword that can stimulate aggregate demand and then production in the commodity sector and contribute to creating a balance between the monetary and commodity currents. Imports of goods, because the increase in spending leads to an increase in the exchange rate of the local currency, and the goods imported from abroad are cheaper than those produced at home, which leads to an increase in imports, the rooting of rentierism and the Dutch disease, as is the case in the Iraqi economy during the period (2005-2020), and the standard results showed the presence of A long-term equilibrium relationship between the dependent variable represented by the gross domestic product and the independent variables in the model, which means the ability of government spending to influence the stimulation of the productive sectors in the Iraqi economy during the long term if this financial abundance was properly exploited, and sound procedures were put in place to activate the private sector and direct Support for economic activities that add value to the national income.

The study Problem:

Despite the increase in government spending in Iraq continuously during the study period, and the increase in total demand for goods and services in a manner that parallels the increase in government spending, it failed to stimulate total supply and create added value in the economy, and most government expenditures go on goods imported from abroad, which is the opposite. Expectations in economic theory, due to the different economic conditions that have a role in the trends of household and public consumption spending.

The importance of studying:

The importance of the study comes from the importance of the issue of government spending and taxes, which occupies the space and thought of the political class and even the general public, in order to reveal the rentier nature and the high percentage of government spending to approximately (50%) or more relative to the gross domestic product, so that if crude oil prices decrease, then The budget deficit reaches (80%), and this shows the importance of studying fiscal policy in Iraq.

Purpose of the study:

The aim of the research is to activate the fiscal policy and demonstrate its impact on economic activity, and to demonstrate the effectiveness of a single variable demand in the gross domestic product.

Study hypothesis:

The research adopted the following hypotheses:

1-There is a long-term balanced relationship between government spending and economic activity in Iraq.

Czech
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2-The existence of a long-term equilibrium relationship between taxes and economic activity Iraq.
3-The increase in government spending perpetuates the state of rentierism in the Iraqi economy and infection with the Dutch disease.

First: fiscal policy

At the beginning of the thirties of the last century during the Great Depression crisis, Keynes was greatly interested in effective aggregate demand through government spending in order to get rid of the depression crisis by creating demand that stimulates aggregate supply, and Keynes was concerned about the unemployment crisis that deepened in Europe and the United States, and he expressed his concern in an official communication To the President of the United States of America Roosevelt, he directed the use of effective fiscal policy**. (Buchholz: 1996, 249)** Keynesian thinking had an impact on pressure on governments to contribute to preserving available income during fluctuations in the economic cycle in order to achieve economic stability and mitigate the economy's vulnerability to the risks of fluctuations in the economic cycle. It was believed that countries in which there is a large government sector are less vulnerable to the effects of fluctuations The economic cycle Therefore, Keynes and his followers resorted to a method that guarantees the general conditions for the subsequent development of the capitalist system, which is the use of government spending as a means to achieve stable economic growth. The Keynesian point of view gave great importance to government spending, and the main objective was to increase effective demand, whether by the state directly or by creating favorable conditions for private capital investment**. (Abdjman : 1988, 285)**

Keynes indicated that changes in the amount of money do not directly affect the gross domestic product, because prices are directly affected by production costs and the first changes are in the size of the money supply, and then the effect appears on the interest rate before pricing on prices, and Keynes had emphasized that the relationship Indirectly between money and aggregate demand, as an increase in public spending may achieve balance without full ignition in the economy. Analyzing the problem in the economy on the aggregate demand side, unlike those who preceded it, who believed that the problem of the economy is on the aggregate supply side, as in the classical and neoclassical schools. **(Abdul-Rahman: 2006, 51)**

In the sense that Keynes sees the possibility of addressing the problem of the economy and activating the economic sectors, especially the commodity productive sectors, through the use of fiscal policy. Therefore, researchers see limiting themselves to the chemical thought in analyzing financial policy in the Iraqi economy, and adopting theses similar to Keynesian thought in order to get rid of rentierism, stagnation and stagnation in the Iraqi economy. The Keynesian model does not stop its role in explaining the state of recession, but goes beyond it to suggesting policies that limit it in the future**.(Leonard: 1981,374)**

Second: public spending, consumer and investment spending, and taxes for the period (2005-2020)

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Consumer spending represents a large part of current spending in the Iraqi economy. Table (1) shows the importance of consumer spending as a percentage of public spending. It was (22) trillion dinars in the year (2005) to (28) trillion dinars in the year (2006), so the increase was not real This is because the ratio of consumption spending to public spending, as it does not change during the same year, and the difference in the ratio of consumer spending to investment, and the ratio increased from (21%) to (22%), with an average of (83%) of current public spending, and that the investment ratio To current spending does not exceed (18%), which shows the size of the allocation for consumer spending, and then shows the volume of consumer demand for goods and services in the Iraqi market during the year (2006), at a time when the commodity sector is characterized by rigidity and inflexibility to respond to changes in demand This means the expansion of consumer spending in order to achieve macroeconomic stability to which Keynesian ideas apply and the collapse of classical economic thought**.(Akli: 1980, 617)**

From the foregoing, the researchers conclude that government public consumption spending during the study period (2005-2020) represents a situation for the Iraqi government, revealing the path and nature of its institutions, which is a deep-rooted situation that is difficult to change even during times of crisis and economic stagnation.**(C.W.Granger: 2010 ,276)**

Table (1) GDP, expenditures and taxes at current prices in Iraq for the period (2005-2020) million dinars

year	GDP	T	PX	IX	CX
2004	46722964.7	200351	32117491.1	3014732.9	29102745.3
2005	65330119.8	468447	26375175.6	4572018.4	21803175.2
2006	84843368.8	588170	33487877.8	6027680.3	27460197.5
2007	99001166.6	1099650	33545144.3	7723044.2	25822100.1
2008	146620058	1021196	59403375.7	11880675.2	45522700.5
2009	118576564.2	1852713	52567025.9	10513405.7	42053620.2
2010	144571466.5	1882002	64351984.5	19472000.3	44879984.2
2011	190936070.3	1301000	69639523.6	13623000.1	56016523.5
2012	224910851.2	2311000	90374783.4	20756000.0	69618783.4
2013	240642658.	2876000	106873027.9	34647000.2	72226027.

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	5				7
2014	234740936	1967100	83556226.4	24931000.1	58625226.3
2015	183505571.2	2045331	70397515.9	18564670.1	51832845.8
2016	184198750.8	2198543	67067437.6	15894000.4	51173437.2
2017	218603989.8	2301654	75490115.5	16464461.4	59025654.1
2018	218998310.2	2767123	79581598.7	18234866.4	61346732.3
2019	222089274.5	2564916	83218434.3	14952458.1	68265976.2
2020	225191392	2693562	87265696.4	17989209.0	69276487.4

Source: The table was prepared by the researcher based on the following sources
1-Data of the Ministry of Finance, Accounting Department on the website http:/www.mof.gov.iq

2-Ministry of Planning and Development Cooperation, Central Statistical Organization

3-The Central Bank of Iraq, the General Directorate of Statistics and Research, the annual economic report, different years

Third: Description of the fiscal policy model

The description of the mathematical model, and then the standard model, is the first step to test and measure the functional relationship between the variables of the study, as describing the variables accurately for the purpose of estimation and prediction are very important steps to know the relationship between the variables and determine their course in the future, and the possibility of making a prior prediction about future trends, and studying Causal relationship between variables.

1-Description:

The economic phenomena, when describing and identifying the distinctive characteristics of the model in question, and knowing the explanatory variables affecting the dependent variable, we diagnose the first step to drawing the economic features to draw up the effective financial policy affecting the economic activity as follows.**(Cuthbertson: 2009 , 130)**

a- The dependent variable: The dependent variable is represented by the Gross Domestic Product (GDPt) estimated in the local currency, the Iraqi dinar. The annual data were obtained from the Ministry of Finance and the Ministry of Planning through the annual statistical group.

b- Independent variables: The explanatory variables are expressed, which are represented by consumer spending (〖CX〗 _t), investment spending (IXt), taxes (Tt), and the random variable

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with the symbol (Ut). Annual data were obtained from the Ministry of Finance and annual periodicals.

2-Mathematical model:

The researchers relied on formulating the simultaneous equations due to the nature of the mathematical relationships between the variables of the study, as the relationship between gross domestic product (GDPt) and negative consumer spending (CXt) has a two-way relationship, as consumer spending leads to an increase in aggregate demand and then activation of commodity sectors, and so is the case With investment spending (IXt), the relationship is intertwined between the variables and it is difficult to differentiate between the dependent and explanatory variables, and this is what happens in the simultaneous equations, and the mathematical and standard models are estimated through two stages, and we may not be able to estimate each equation separately, and the need to take into account Information about other equations within the system as follows:(**Dr. Gujarat: 2016: 928**)

The model for the simultaneous equations and for the special variables in the research of the Iraqi economy during the period (2005-2020) is as follows :Equation (1) can be represented in the following linear matrices form.

$$\boldsymbol{Yb = Xd + e} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (\mathbf{1})$$

Whereas:

$Y = Endogenous\ variables$

$b = Coefficients\ of\ the\ Exogenous\ variable$

$X = Exogenous\ variables$

d $= Coefficients\ of\ the\ exogenous\ variable$

e $= Stochastic\ disturbances$

From the above, the standard model for the simultaneous equations of consumer spending and national income can be formulated according to time series data as follows:

$$\boldsymbol{CX_t = \beta_0 + \beta_1 GDP_t + U_{1t}} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (\mathbf{2})$$

$$\boldsymbol{GDP_t = CX_t + IX_t + T_t} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (\mathbf{3})$$

Fourth: stability tests for time series

The financial policy variables are a set of values arranged according to the time series, and in order to determine the stability of the variable, we use the Dickie Fuller test to detect stability or not, and the need for a general trend in the time values of the variable, so that it represents the natural evolution of the variable during the time series over the long term, taking forms Different forms are affected by the annual changes in which each of the variables of the financial policy changes, and by the random and periodic changes. **(Salami and Sheikhi: 2013: 124)**

Every economic study assumes the existence of a general trend in the variable under study, and by testing the stability and detecting the presence of the unit root of the variables that are in a stable state and whose levels are constant during the time course, without changes in the average, and unlike the unstable variables whose averages are constantly changing In the event of an increase or

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decrease. **(Abdali: 2007:20)** The unit root test is limited to detecting the general trend component in each variable, and contributes to eliminating the problem of instability by taking the first and second difference in case the variable is not stable at the level and includes two models: **(Abdul Qader: 2007:3)**

One of the most important tests is the (Dickey-fuller) test, which is commensurate with the variables of fiscal policy in Iraq during the period (2005-2020). To display the test, we take a random walk, which is an integrated autoregression of the first order (AR(1)), where it is written in the form (Xt= X (t-1)+εt), where (εt) represents the random error, and the time series that contains the root of the unit is known as the random walk series, and it represents a random shock, which was the reason for which Dickey and Fuller (1981) developed a test called (Augmented Dickey Fuller). (ADF)), and this test is based on the alternative hypothesis (H1: $|\emptyset|<1$). ((**Ghassan & ALDehailan: 20: 2009)**

$$\nabla X_t = \lambda X_{t-1} - \sum_{j=2}^{P} \emptyset \nabla X_{t-j+1} + \varepsilon_t \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (4)$$

$$\nabla X_t = \lambda X_{t-1} - \sum_{j=2}^{P} \emptyset \nabla X_{t-j+1} + c + \varepsilon_t \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (5)$$

$$\nabla X_t = \lambda X_{t-1} - \sum_{j=2}^{P} \emptyset \nabla X_{t-j+1} + c + bt + \varepsilon_t \dots\dots\dots\dots\dots\dots\dots\dots (6)$$

Through the value (Prop) according to the (Schwarz) standard, the (ADF) test has the same characteristics as the (DF) test, and it uses differences with time gaps to disappear the autocorrelation problem, and the decision is whether or not the stability is through the comparison between (t) calculated and (t) Scheduling in the first or second level and teams is my agency. **(Al-Qadeer: 2009, 83)**

The researchers relied on a set of regression formulas, as shown below:

$$\nabla X_t = (\emptyset - 1) X_{t-1} + \varepsilon_t \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (7)$$

$$\nabla X_t = (\emptyset - 1) X_{t-1} + c + \varepsilon_t \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (8)$$

$$\nabla X_t = (\emptyset - 1) X_{t-1} + c + b_t + \varepsilon_t \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (9)$$

The difference in the equations, the constant was entered in equation (8), and the general trend was included in equation (9) so that the test depends on it, If the null hypothesis (H_0=0) is met in one of the three equations, the series is unstable.

And the stability in the variable is revealed through the value of (prop), which is less than (5%), and if the probability value is greater than (5%), it is unstable, in Table (2) the results of the expanded Dickey and Fuller test.

Table 2 shows the ADF test

ADF Test I(1)			ADF Test I(0)			VAR
None	Intercept & Trend	Individual Intercept	None	Intercept & Trend	Individual Intercep	

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					t		
-1.966 (*)	-3.759	(*)-3.089	-2.964	-3.733	-2.084	5%	GDP
-1.605 (*)	(*)-3.376	(*)-2.686	-1.605	-2.3109	-1.856	10%	
-2.894	-3.375	-3.647	0.991	-1.375	-1.328	T - statistic	
-1.966 (*)	(*)-3.324	(*) -3.959	-1.964	-3.733	-3.065	5%	CX
-1.605 (*)	(*)-3.759	(*) -3.081	-1.605	-3.310	-2.673	10%	
-4.511	-4.464	-4.495	0.232	-1.705	-1.874	T - statistic	
-1.966 (*)	(*)-3.79	(*)-3.081	-1.964	-3.730 (*)	-3.0655	5%	IX
-1.605 (*)	(*)-3.326	(*) -2.681	-1.605	-(*)3.319	-2.6739	10%	
-4.857	-4.850191	-4.915	-0.170	-4.087	-1.7989	T - statistic	
-1.966 (*)	-(*)3.7593	(*) -3.081	-1.964	-3.733	-3.920	5%	T
-1.605 (*)	(*)-3.975	(*) -2.681	-1.606	-3.3103	-3.065	10%	
-4.421	-4.242	-4.272506	-1.125	-2.416	-1.624	T - statistic	

The table was prepared by the researchers based on the results of (Eviews12)

1-Test Results Discussion (ADF):

1-Gross Domestic Product (GDP): After the test, the GDP is not stable in the level, and it was stable in the first difference, and integrated in the first order (AR (1)), through the value of (t) calculated at a significant level (5%), while The variable is stable in the first difference.

2-Consumer Expenditure (XC): The time series test was unstable at the level and in the three formulas, and was stable in the first difference by relying on the calculated values or the probability value (Prob).

3-Investment expenditure (XI): The test of the variable shows that it is not stable in the level, and when taking the first difference of the time series, it turns out that it is stable and integrated of the first order (AR (1))

4-Taxes (T): The tests of the variable in the Iraqi economy during the research period show that it is unstable in the level, and when taking the first difference, it is stable and integrated of the first order (AR (1)).

2-Optimum slowing time test:

Many variables are effective and effective for more than a period of time, especially in standard models and for explanatory independent variables, and the time slowing test for all variables is when they are stable in the level or in the first difference, as if less than the stable rank is chosen, it

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leads to inconsistency in the variables And the parameters of the equation, and in the case of choosing a higher rank than the actual rank, the model is disparate and shows results that do not apply with reality and do not give significance to the immediate model, and it may not be logical and correct due to the increase in the number of selected parameters. **(Makeed: 2011: 304)**

To determine the rank of the variables of the simultaneous equations, in the event that the random error follows the normal distribution of the variables to draw the optimal time path and the time period that gives the best standard results and the best intrinsic results in the model and the equations are as in the following table (3): **(Haji et al.: 2004 387)**

Table (3) Tests of optimal slowing times for the model variables

VAR Lag Order Selection Criteria						
Endogenous variables: GDP CX IX T						
Exogenous variables: C						
Date: 08/03/23 Time: 23:56						
Sample: 2005 2020						
Included observations: 15						
Lag	LogL	LR	FPE	AIC	SC	HQ
1	-595.18*	18.397*	8.7831*	84.158*	85.857*	84.14*
2	-618.18	38.665	15.1832	85.091	86.035	85.081
* indicates lag order selected by the criterion						
LR: sequential modified LR test statistic (each test at 5% level)						
FPE: Final prediction error						
AIC: Akaike information criterion						
SC: Schwarz information criterion						
HQ: Hannan-Quinn information criterion						

Table prepared by researchers based on (Eviews12)

Through the report of the statistical program, the time period and the optimal rank for all variables and according to the tests (FPE, AIC, SC, H-Q) are the first time delays, that is, the first order, which can cover the best estimates of the relationships between the variables.

3-Testing causality between variables:

The causality (Cranger) is for the purpose of ascertaining the extent to which there is a causal relationship in two directions or in one direction, and the feeding is feedback, or there is a reciprocal relationship between the variables, which means that there is a self-correlation between the time series values of a single variable over time, and for the purpose of excluding the effect of the correlation, the inclusion of all variable values Through time gaps as explanatory variables and a dependent variable in the immediate model. **(Atiyah: 2004: 878)**

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After characterizing the model and testing its stability, we perform causality tests that show the trend of the relationship depending on the causality (Cranger). The results are shown in Table (4) below:

a- There is a one-way relationship from public consumption spending (CXt) to gross domestic product (GDPt), so the value was (4.08) and with a significance of (0.02), that public consumption spending affects GDP through aggregate demand, and affects through the work of the multiplier in spending consumption to changes in economic activity

b- There is a causal relationship between investment spending (IXt) and general consumption spending in one direction, meaning that the increase in GDP is due to the decrease in the amount of budget allocations for investment spending, so the (F) test is significant with a value of (3.07) at a significant level (0.001).

c - The existence of a causal relationship from investment spending (I) to the gross domestic product (GDPt), and this is not special in the Iraqi economy, but rather it is the general characteristic and is consistent with economic theory, but what distinguishes the Iraqi economy is the weakness of the causal relationship between the two variables with a significant value (0.04). Test (F) of (3.0)

d - There is a causal relationship in one direction from the gross domestic product (GDPt) to the tax (Tt), and the test shows that the increase in economic activity leads to an increase in tax revenues and then at a significant level (0.048), where the value of (F) was equal to (4.77)

Table (4) Cranger causality test

Pairwise Granger Causality Tests			
Date: 09/03/23 Time: 10:44			
Sample: 2005 2020			
Lags: 2			
F-Statistic	**Obs**	**Null Hypothesis:**	**Prob.**
4.08	**15**	**CX does Granger Cause GDP**	**0.02**
3.07	**15**	**GDP does Granger Cause CO**	**0.001**
3.0	**15**	**I does Granger Cause GDP**	**0.004**
4.77		**GDP does Granger Cause T**	**0.048**

Table prepared by researchers based on (Eviews12)

Fourth: Estimation using the OLS method

The researchers can apply (OLS) to estimate the equation based on (Eviews12), after characterizing the equation and testing the degree of integration of the variables. Cranger causality was conducted to show the nature of the relationship between the variables and to know which

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variables are the cause and which of the variables are the result, by relying on (Eviews) as in Table (5) below. **(Al-Sawai: 2012: 173)**

1-Public consumption spending (CXt): After estimating the equation, the variable appeared in a significant way and with the first difference. After estimating consumer spending, each change by one time affected the GDP by (3.5), due to the effectiveness of economic activity, so the value of (Prob) amounted to (0.03). It is less than (5%), which shows the positive relationship between consumer spending and GDP.

2-Investment Spending (IXt): The independent variable represented by investment spending is considered influential in the Gross Domestic Product (GDPt) as a dependent variable, as the test showed that the value of (Prob) was (0.01), meaning that each change was one time in investment spending in Iraq during a period study, leads to changes in GDP by (4.1).

3-Taxes (Tt): Like taxes, it is an independent variable relative to the gross domestic product (GDPt), meaning that current taxes are affected by economic activity for the current and upcoming period, and this is clear in the rentier economy. (2.8) and significant (0.02) depending on (Prob).

4-The semi-linear function in terms of the dependent variable was represented by the best representation and with the estimations obtained, as (R2) showed the amount of error in the model or the amount of influence of variables that were not included in the model, so its value was (70%), which means that consumer spending and investment spending Taxes affect the dependent variable by the corrected coefficient of determination, while (30%) are interpreted for other variables that were not in the model.

5-The result confirms the Fisher test, which indicates that the model was completely significant through the probability value of (14.8), and it was found that the model did not suffer from the problem of self-correlation by conducting the (DW) test, and it is located in the acceptance region, which is (2.08).

Table (4) Test estimation of model parameters by (OLS) method

Dependent Variable: GDP				
Method: OLS				
Date: 09/03/23 Time: 11:20				
Sample: 2005 2020				
Included observations: 15				
Instrument specification: (GDP) (CX) (IX) (T)				
Constant added to instrument list				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	**-3834**	**42979**	**-0.892**	**0.20**
(CX)	**3.513**	**1.071**	**3.519**	**0.04**

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(IX)	4.140	1.104	3.759	0.01
(T)	2.843	0.9851	2.8712	0.02

R-squared	0.750	Mean dependent var	1.57
Adjusted R-squared	0.700	S.D. dependent var	727
S.E. of regression	33790	Sum squared resid	1.03
F-statistic	14.861	Durbin-Watson stat	2.08
Prob(F-statistic)	0.000	Second-Stage SSR	3.96
J-statistic	3.3468	Instrument rank	6
Prob(J-statistic)	0.004		

Table prepared by researchers based on (Eviews12)

Conclusions and recommendations:

First: conclusions

1-The continuous and increasing increase in consumer spending in the Iraqi economy was the cause of the continuing deficit of the public budget, and this highlights the nature of the rentier economy and the positive relationship between GDP and consumer spending.

2-The increase in current spending leads to an increase in aggregate demand, and the demand for imported goods increases due to the inflexibility of the productive apparatus and its inability to provide goods and services.

3-The standard results reached by the researchers emphasized the importance of public spending through the following:

a - There is a significant relationship between consumer spending and GDP in Iraq, and explains the ability of spending to correct imbalances in the economic structure.

b- The Cranger test indicates that there is a causal relationship between public spending, gross domestic product, investment spending, and taxes in Iraq during the study period, which reveals the ability of variables to affect economic activity in Iraq and the possibility of getting rid of rentiers in the Iraqi economy in the long term.

4-The existence of a strong and direct influence relationship between crude oil prices in global markets and public spending, as the increase in public expenditures leads to an increase in imports and the occurrence of structural occupation and the rooting of the subjects in the Iraqi economy.

5-The analysis of the effectiveness of fiscal policy gives the impression that fiscal policy tools can contribute to changing the course of economic activity if strategic plans are developed commensurate with the available resources and by using financial criteria in Iraq.

Second : Recommendations

1-The need for public spending to be based on increasing investment spending by a greater percentage than consumer spending, and this leads to an increase in productive capacity and

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contributes to creating added value in the Iraqi economy and then achieves economic development.
2-Directing taxes and investment expenditures to diversify sources of income, increase the percentage of the contribution of productive sectors to the economic structure, and then continue financing for public spending, in both its consumption and investment parts, when the extractive sector is exposed to external shocks, such as low crude oil prices, or economic sanctions and others.
3-Strive to correct imbalances in the Iraqi economy, based on a balanced growth strategy in the economic structure commensurate with the relative importance of each sector, and the distribution of public spending on economic sectors in a balanced manner.
4-Establishing financial procedures that attract capital owners to invest inside the country, i.e. creating an appropriate investment environment and liberating the Iraqi economy from financial obstacles, giving i mportance to financial institutions in influencing economic activity and making their work real and not parasitic that depend on the state.
5-Work to create free trade zones for their role in creating advantages that help to localize and attract direct foreign investment or in investment portfolios, and work to transfer modern technology.

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