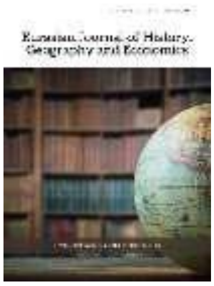

Studying fiscal policy and measuring its monetary effects in the Iraqi economy During the period 2003-2020

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ABSTRACT

The rapid developments of fiscal policy, especially in the global economy, and the profound transformations in the financial and banking sectors were among the main factors that affected economic policies from the monetary effects of fiscal policy.

Keywords: Developments, global economy, fiscal policy, Commercial banks

The monetary effects of fiscal policies appear through the method that the government uses to finance its budget deficit. The existence of a deficit will force the government to borrow to finance this deficit, as the monetary effects of fiscal policy depend on the method used by the government to finance the deficit, the government may resort to borrowing from the central bank or from banks Commercial banks, or they can resort to the public sector and the non-banking private sector, and the government's choice between one of these methods or that depends on the degree of independence of the Central Bank.
Through this study, we tried to reach the monetary effects of the financial policy, by touching on the concepts, types 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.
Fiscal policy often plays the role of the godfather of economic policies in developing countries in general and rentier countries in particular, but the success of this policy in reaching its goals requires coordination with other policies, especially monetary, and then knowing the effects that fiscal policy leaves on monetary policy and trying to reduce it.
Any change in the government's fiscal policy, whether spending or revenue, leaves clear effects on the structure of production and income and its redistribution, in addition to its impact on the volume of effective demand and consequently the rise in the general level of prices in light of the weak flexibility of this productive apparatus on the one hand, but from On the other hand, the government's financing of the budget deficit or the use of the surplus in it leaves important effects on the volume of assets available in society, whether monetary or non-monetary. The fiscal and monetary policies are also effective means of general economic control, and these two policies overlap in influencing the general economy. This overlap is an important fact related to the monetary effects left by the fiscal policy, which are 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.

In this context, this study comes to shed light on the Iraqi economy after the Central Bank obtained its independence after the year 2003 in an attempt to analyze the most prominent monetary effects of the fiscal policy for the period 2003-2020, and to what extent independence contributed to the ability of the monetary authority to reach its goals set by its new law No. 56 of 2004, especially in the context of the desired transformation towards a free market economy and the coordination that is required between the fiscal and monetary policies.

The Study Problem :

The research problem is to study the fiscal policy and its monetary effects and the extent of its impact on the activity of the Iraqi economy for the period (2003-2020).

Study hypothesis:

The research stems from the hypothesis that (the existence of monetary effects of the fiscal policy in the Iraqi economy during the period 2003-2020 resulted from the method adopted in financing the budget deficit).

The importance of studying :

It is noted that the studies that dealt with the issue of the monetary effects of the fiscal policy are somewhat limited, and the importance of this study comes through examining the monetary effects of the fiscal policy as it represents the most important outputs of the imbalance of the state's general budget, in both its surplus and deficit, as well as the sources through which the budget deficit is financed.

Purpose of the study :

This study aims to study and analyze the paths of fiscal policy and its monetary effects, whether those effects are negative or positive, and to measure these effects 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:

The first requirement: the concept and types of fiscal policy.

The second requirement: the objectives of fiscal policy.

The third requirement: the theoretical foundations of the monetary effects of fiscal policy.

The second axis / analysis of the net general budget in the Iraqi economy during the period (2003-2020), which in turn was divided into:

The first requirement: analysis of the deficit and surplus in the public budget (with oil revenues) during the period 2003-2020.

The second requirement: analysis of the deficit and surplus in the public budget (without oil revenues) during the period 2003-2020.

The third axis / measuring the monetary effects of the fiscal policy in Iraq during the period (2003-2020), which in turn was divided into:

The first requirement: the description of the standard model.

The second requirement: Presentation of the results of the standard application.

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

The fiscal policy is one of the most important economic policies of the state, and the fiscal policy determines the sources of public revenue for the state in its various forms, and determines how to direct those revenues to finance government spending to achieve the objectives of the economic policy. (Mizher, 2021: 22).

The first requirement: the concept and types of fiscal policy.

First: the concept of fiscal policy.

- Fiscal policy is defined as the government's policy with regard to the level of government spending, transfers, and the tax structure in order to achieve certain goals, 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).

Second: Types of fiscal policy.

Fiscal policy is divided according to the state of economic activity into two main types:

a) an expansionary fiscal policy:

This policy appears when the economy suffers from a state of depression and deficit and the presence of high levels of unemployment, and a decline in the rate of growth of output, and this is due to the lack of aggregate demand, and therefore it is necessary to follow an expansionary fiscal policy aimed at increasing aggregate demand, and then increasing the level of employment of unemployed resources and a rise in The level of employment and the consequent increase in the level of production and income, and then the increase in the rate of growth at home, and this is done through increasing government spending or reducing taxes or a combination of the two tools together. (Mansour, 2015: 23)

B) a contractionary fiscal policy:

This policy appears when the economy suffers from a rise in the general level of prices, i.e. a rise in the rate of inflation, and the consequences of many negative effects represented in the imbalance of income and wealth distribution among the segments of society, misdirection of investments and low rates, and an imbalance in the rates of output growth among different sectors and other Other negative effects, and this is the result of an increase in aggregate demand so that the level of aggregate demand is greater than the level of aggregate supply, and therefore it is necessary for the government to intervene by following this policy to remove the excess aggregate demand and reduce inflation in society, and then achieve stability in the price level and this is done through By reducing government spending, increasing taxes, or a combination of both. (Hezia and Abdel Karim, 2011: 14)

The second requirement: the objectives of fiscal policy.

The fiscal policy seeks to achieve its objectives according to the nature of the economic system in force in the country and the degree of its progress. The objectives of the fiscal policy are as follows: (Nomani and Aboun, 2016: 15)

1- Economic stability: Economic stability is considered one of the most important goals by influencing the level of prices of goods and services by influencing the relationship between the volume of purchasing power and the quantity of goods and services. And the tax burden on various commodities and other methods through which the consumption pattern, the volume of production and the degree of resource exploitation are affected. (Samhan, Al Wadi, Khurais and Al Dhiba, 2010: 230)

2- Redistribution of income: The distribution of income in the developing country is witnessing a negative trend that requires its redistribution for several social, economic and political goals. The social goals focus on the fact that the equitable distribution of income is one of the most important means of achieving social stability among the different segments of society or not, and achieving political stability as lack of Protests, demonstrations, strikes, and others. The importance of income redistribution is to raise the incomes of those with low and limited incomes, and then raise the marginal propensity to consume, and to encourage the incentive to work, produce, and invest in the first place with a view to returning to the economy with positive results in the future.

The fiscal policy, in particular, plays an important and prominent role in redistributing income among members of society, through managing its tools and performing jobs that would provide public services, especially for people with limited incomes, such as housing construction projects, improving the health sector, free education and subsidizing basic foodstuffs. All of this contributes to widening the gap in the distribution of income, in addition to imposing taxes despite the weakness of the tax system, the purpose of which is to reduce inequality between the strata of society, such as progressive taxes on high-income earners, taxes on inheritance, and an end to property, sales taxes and others that can be used according to what is required. It is required by the stage of distributing personal incomes, and therefore taxes in general play a key role in reducing the differences between members of society and seek to redistribute wealth. (Ismail, 2002: 375)

3- Reaching the state of full employment: it is not necessary for the economy to be balanced at the level of full employment, it may be achieved at a lower level than the level of full employment, meaning that the level of the achieved national product is less than the level that can be achieved by using all the available manpower and material resources, which This gap results in unemployment of the labor force and disruption of the available resources. In order to achieve the level of full employment, the rate of aggregate demand must be increased. Accordingly, the gross national product can be increased by increasing the effective aggregate demand, assuming the stability of the general level of prices, and the equilibrium level may be achieved at a higher level of full employment, that is, an increase Aggregate demand is greater than the demand needed to achieve full employment and the difference between aggregate demand and aggregate supply that corresponds to the level of full employment is an inflationary gap that is reflected in a general rise in prices. (Al-Amri and Al-Hilu, 2020: 138)

4- Economic growth: The financial policy plays a financing cycle and higher goals in the capitalist countries when compared to the financing role in the developing world, and the reason for this is due to the availability of financing resources (the volume of domestic savings, foreign trade, the large volume of private investment ... etc.), Scientific experiments have proven that the investment trends of the private sector in the developing country are directed towards quick profit, whatever its quality, and in the least possible time. Therefore, the non-interference of the state in people's lives becomes difficult for the state, especially since developing countries always seek through financial policy to achieve political stability. First, in addition to economic and social stability, the state's non-interference in economic activity and limiting its role to projects that the private sector is unable or reluctant to implement, which undoubtedly means that it is considered a waste of part of the economic resources available to the national economy, which makes state intervention absolutely inevitable. Directly or indirectly, in the economic and social life to achieve economic and social balance and to ensure, even in part, a decent life for individuals, especially the weak classes. (Younis and Abdel M. Good, 2016: 32)

Among the reasons for the state's direct intervention are the amounts and figures approved by the state in its annual general budget, in order to advance the national economy through what is known as public investment spending, to increase fixed productive assets with the aim of increasing the volume of production capacities, which prompted some developing countries through their central banks to The process of issuing new cash to meet the requirements of rapid development, while some countries returned to foreign loans to face the economic stagnation.

5- Achieving tax justice: achieving social justice includes, in essence, achieving tax justice, as the state plays the role of the rater. provided to citizens in education, health, public utilities, and others. (Al-Saleh and Al-Ritimi, 2020: 10)

The third requirement: the theoretical foundations of the monetary effects of fiscal policy.

First: the monetary effects of fiscal policy.

a) The effect of fiscal policy on the money supply.

The government can influence not only the size of the real and financial assets held by society, but also the content or composition of these assets, and this is generated through the government's borrowing policy on the one hand, and on the other hand, through the government's use of cash obtained from tax surpluses. The monetary implications of the fiscal policy are particularly reflected in the money supply, which is mostly caused by the existence of a deficit or surplus in the general budget, and from the way in which the first (deficit) is financed and the second (the surplus) is used (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 manner in which this financing is carried out. 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. (Kazem, 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.

But 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, here we can distinguish between four 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.

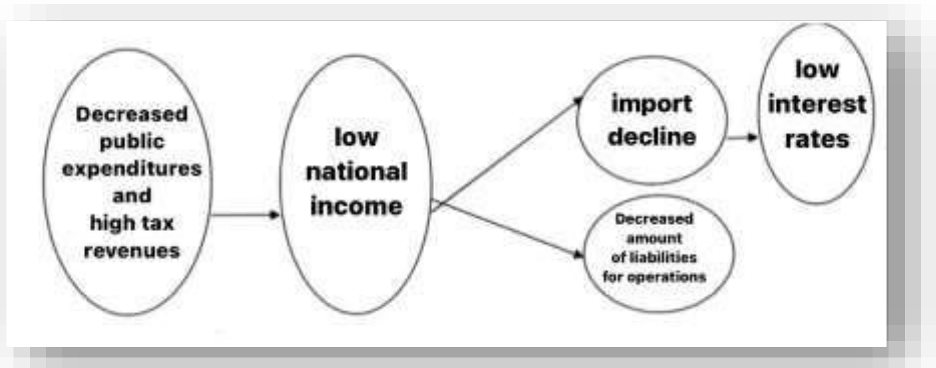
Thus, all the effects of the tax surplus on the economy depend in part on the method of using the surplus, as some of its uses lead to a reduction in the money supply of the public and cash reserves at banks, which leads to a reduction in spending in the private sector, by reducing the availability of credit and increasing its cost. On the other hand, The use of the surplus to extinguish government bonds held by commercial banks or the investor public outside the banking sector may actually increase the credit supply for the private sector, on the one hand, and on the other hand, given that the financial 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. place, whether in developed countries or economically underdeveloped countries. (Mr. Ali, 1970: 418)

b) the effect of fiscal policy on the balance of payments.

The required objective of the fiscal policy is to limit the rise in national income in order to reduce the volume of imports. The link between the decline in imports is secured by the marginal propensity to import $\Delta M/\Delta Y$. To the extent that this tendency is stable and positive, it indicates without any ambiguity that the decline (or restrain the rise) of the national income exerts a rebalancing effect on the public authorities in order to curb the national income for the use of fiscal policy tools, and we will focus our attention on tax policy and public spending policy.

Use of the tax policy: The following figure will be used to show the impact of the tax policy.

Figure No. (1):
The effect of fiscal policy on the balance of payments



Source / Lubna, Ben Maatouk. 2019. The monetary effects of fiscal policy in Algeria (standard study 1990-2016), a thesis submitted to obtain an academic master's degree in economic sciences, Faculty of Economics, Commercial and Management Sciences: Mohamed Boudiaf University - M'sila, p. 12.

The graph shows the methods of impact of tax policy and public spending, and this policy is embodied by reducing public expenditures (because it is difficult to reduce the total amount of public expenditures from year to year), or by increasing taxes imports.

Reducing public expenditures and increasing taxes lead to a decrease in national income, which has two effects:

1- Reducing imports through the marginal propensity to import.

2- Decreased demand for the currency due to the need for operations, which leads to lower interest rates as a result of a possible exit of capital.

Reducing imports has a positive effect on rebalancing the trade balance, but the outflow of capital, on the contrary, generates a negative impact on the balance of payments. (Lubna, 2019: 12).

C) the effect of fiscal policy on the interest rate.

The effects of financial expansion consist of two directions, the first is the effect of crowding out, which is the effect of the government crowding out the private sector on financial resources, which increases the demand for money, which leads to higher interest rates, and the second effect comes from the government's issuance of securities. It is known that the relationship between the prices of these securities and interest rates is an inverse relationship, and accordingly, the government's issuance of more securities leads to a decrease in their prices in the market, and then this is reflected in the interest rate by rising, as in Figure (2)

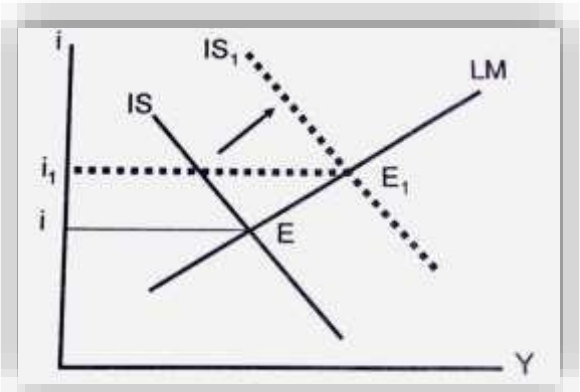


Figure No. 2:
The effect of the expansionary fiscal policy
on the interest rate

Source / Al-Ghalbi, Abdul-Hussein Jalil and Al-Araji, Kazem Saad and Al-Asadi, Yusuf Ali Abdul. 2022. Theory and monetary policies, Alexandria: University Education House, p. 378.

As for the effects of deflationary fiscal policy, it will also go in two ways, the first is what is known as the effect of integration as a result of the government's repayment of its debts from the surplus it generated, which provides these funds to the private sector, and then the demand for money decreases and the interest rate decreases, and the second is an increase in the government's demand for papers Finance as a result of extinguishing it from government surpluses, which raises the prices of securities in the market, and then interest rates decrease due to the inverse relationship between them, as shown in Figure (3). (Al-Ghaliby, Al-Araji and Al-Asadi, 2022: 378).

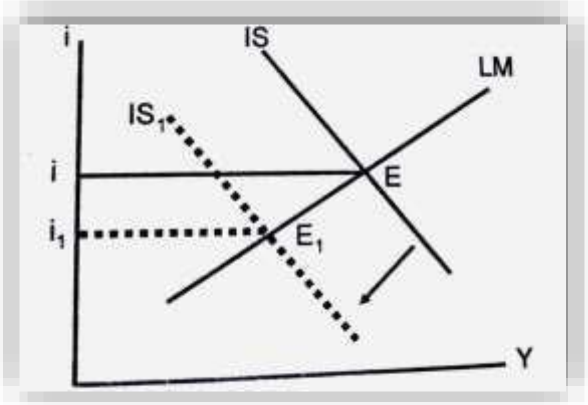


Figure No. (3):
The effect of contractionary fiscal policy
on the interest rate.

Source / Al-Ghalbi, Abdul-Hussein Jalil and Al-Araji, Kazem Saad and Al-Asadi, Yusuf Ali Abdul. 2022. Theory and monetary policies, Alexandria: University Education House, p. 378.

Second: the general budget deficit.

The fiscal deficit resulting from the expansionary fiscal policy in theory leads to an increase in the aggregate demand for goods and services, and this can lead to an increase in the national product through the effect of the multiplier, and it is known that governments usually resort to a policy of deficit financing, while trying to reach stability The economy, especially in periods when the national economy suffers from unemployment problems and a low level of aggregate demand, which impedes achieving the targeted level of employment, or governments may resort to a policy of deficit financing in an attempt to raise rates of economic development, which is the logic that philosophizes the majority of deficit financing policies in developing countries. .

Since the budget deficit stems from the failure of public revenues to cover public expenditures, as public expenditures constitute a flowing stream of money to the public in the form of purchases of goods and services, and transfer payments, while taxes “constitute a stream of money that flows in the opposite direction, i.e. from the public to The government, the equality between these two currents means that the government has a balanced budget, and when the public revenues are less than the public expenditures, this leads to a deficit in the public budget, but if the public revenues exceed the expenditures, there will be a surplus in the public budget, and the financing of this The deficit or the use of the surplus affects the monetary base or the money supply directly or indirectly or not being affected by them, and this depends on the method in which the deficit is financed, and how the surplus is used. (Al-Ahwal, 2005: 49)

Third: Sources of financing the general budget deficit and its impact on monetary variables.

The sources of financing the budget deficit are of great importance due to the monetary effects of some of them, especially through the changes they leave on the money supply and then on inflation rates. Applied studies have shown the emergence of the inflationary effects of the budget deficit in a clear way, especially in the case of the inflexibility of the financial system and the inability of the productive market In addition to the lack of independence of the Central Bank, which leads to dependence on money creation as the only source of financing this deficit, and accordingly, reducing the budget deficit is a basic step to reduce monetary growth and inflation in many countries, particularly developing countries. (Kamal, 2010: 6)

The sources of financing the budget deficit are divided into two types, the first type (external financing) and the second type (internal or domestic financing), and the monetary effects left by these sources vary according to their effects on the money supply and the interest rate, and then prices, which we will try to clarify through the following two points:

a) Internal funding sources:

The sources of internal or local financing (borrowing) can come in several forms, as they are divided into three types: - Borrowing from the central bank (if the law allows this)

- Borrowing from commercial banks
- Borrowing from non-banking economic units, which we will explain in detail as follows:

1- Borrowing from the central bank. Government borrowing from the central bank depends on the form of the legal relationship between them, and does the central bank enjoy independence from the government or not? And if the government is legally able to borrow from the central bank.

The government prefers this type of borrowing over others for the following reasons:

The ease of this type of borrowing in terms of legal facilities.

The speed of obtaining the loan through the administrative capabilities of the Central Bank for lending or monetary means compared to the private sector.

Recovering the interests that the government pays to the central bank in the form of annual profits.

- Low cost of the loan provided by the Central Bank.

When the government borrows from the central bank, this means affecting the income of individuals, as this borrowing will lead to an increase in the income of individuals and then increase the volume of deposits of commercial banks, which leads to an increase in their ability to lend and grant bank credit compared to the period that preceded this spending (financed by the bank Therefore, the expansion of commercial banks in granting credit leads to an increase in the money supply and the liquidity of the economy in general (through the action of the credit multiplier), and despite that, the government believes that this means gives it the ability to increase public spending without increasing taxes, and thus not It is subject to the legislative authority's questioning and accountability, as well as the lack of obligations on it, as the interests that it pays return to it in the form of profits from the central bank, unlike other forms of borrowing that lead to an increase in the burden of government debt and its service.

If the government finances its deficit in this way, or issues new cash, it will increase the money supply and the general economy's liquidity, whether it is the liquidity of individuals or that of commercial banks. (Al-Shammari, 2012: 466)

2- Borrowing from commercial banks.

The other domestic source from which the government can borrow is the commercial banks, as some countries have adopted the principle of central bank independence, and in light of this it becomes difficult for the government to obtain loans from the central bank due to legal obstacles, and accordingly commercial banks become the best alternative to commercial banks. For its part, providing credit to the government because of the reliability that the latter enjoys, regardless of the effects that this mechanism leaves, whether monetary effects or other effects, especially competition between the government sector and the private sector. They depend on the ability of the banking system and the surplus cash reserves available to it. (Syed Ali, 1986: 406)

In the event that commercial banks have excess cash reserves that are sufficient to finance the government's need, this leads to an increase in the money supply, as a result of the expansion of bank credit, as well as an increase in the income of individuals resulting from the expansion of government spending financed by, but the reserves of the commercial banks do not have. Sufficient cash to meet the government's demand at that time, the banks will face two situations:

The first case: The demand from the Central Bank to adopt a loose monetary policy that can address the problem of bank liquidity, by reducing the requirements of the legal reserve of commercial banks by the Central Bank, or by the Central Bank entering the open market as a buyer, and in these government bonds. The situation will increase the money supply as a result of the increase in the reserves of commercial banks and the consequent increase in the volume of credit granted.

The second case: the commercial banks restructure their assets by reducing the credit granted to the private sector, i.e. the banks substitute public loans instead of private loans, and although this procedure does not affect the money supply (as in the first case), it will lead to an increase in the price of money. interest and the emergence of competition with the private sector. (Syed Ali, 1986: 407)

The changes that can occur in the size of the money supply as a result of government borrowing according to this mechanism depend on a number of variables, including the size of crowding out resulting from the increase in interest rates on the one hand, as well as the form of government spending and its distribution between investment and consumption on the other hand, but as a result of Therefore, the potential monetary effects of this form of government borrowing will be less than the first form (borrowing from the central bank).

3- Borrowing from the non-banking private sector.

The third domestic source of financing the general budget deficit is the non-banking private sector, i.e. individuals and non-monetary financial institutions, and according to this borrowing mechanism, the economic literature indicates that it leads to a reduction in the supply of savings in the money market prepared for lending to finance the private sector, and then a rise Interest rates, which push the private sector to move towards the banking sector to cover its financial needs, and if the latter is unable to meet the needs of the former, the government's financing using this method will not differ from borrowing from commercial banks. (Ismail, 2002: 508)

Government borrowing by the non-banking private sector often leads to a decrease in the volume of deposits with commercial banks at the beginning of the borrowing period, but soon the situation returns to what it was before the period of individuals purchasing government bonds, after individuals receive new government payments from government borrowed spending Which will be added to the money supply and the total local liquidity, what was withdrawn from it to meet the government bonds (Al-Shammari, 2012: 467).

On the other hand, some researchers believe that this method of financing government spending leads to a decrease in the money supply, and the explanation of this is that financing the budget deficit by issuing government bonds and selling them to individuals leads to an increase in the wealth of individuals and changes the structure of their stock portfolio in favor of bonds, which leads them to Retain part of their savings in the form of money, and if the money supply remains unchanged, individuals will try to reduce their purchases of goods and services in order to reach the size of this desired cash balance on the one hand, but on the other hand, the increase in interest rates resulting from selling government bonds to the public will increase from the contractionary effect of fiscal policy. (Ismail, 2002: 542)

On the other hand, there are those who believe that the deflationary effect of fiscal policy will not be fully achieved, as they market this opinion based on their belief in what is known as the adverse effects of fiscal policy, as high levels of interest will make individuals feel that maintaining cash balances has become more expensive, and therefore they will use them more, This is reflected in prices in two directions, the first trend by increasing the speed of money circulation, and the second trend in increasing the money supply intended for lending to the private sector at the new level of interest rates. (Guartney and Starop, 1988:431)

The monetary effects that result from the last form of sources of financing the local budget deficit can differ according to a number of overlapping factors, which makes it difficult to determine the size of its effects, but as a result it will be less than the first form (borrowing from the central bank).

B) Sources of External Funding:

Countries usually resort to external loans when internal sources do not allow them to do so, as in the case of insufficient savings and local capital or in the event of legislative obstacles, and accordingly they consider the use of foreign capital from its various sources, whether external financing institutions or private institutions or or individuals) and as is the case with domestic financing, external financing can take several forms, the most important of which are (soft loans and commercial loans), in addition to resorting to the financial market through the sale of government bonds. Those prevailing in the market and with a relatively long grace period and repayment, and mostly come from foreign countries, as for commercial loans, their source is from foreign commercial banks. (Al-Fares, 1997: 133)

Regardless of the source of external loans or their form, what is important is the effect of this type of borrowing on the money supply and then on the price level, as the monetary effects of this form of financing depend on the government's use of it in financing public expenditures, as its monetary effects appear through Increasing the money supply and consequently the price level, if the monetary authority proceeds with the process of liquidating the proceeds of the loan, that is, issuing the corresponding local currency, which leads to an increase in the cash of the non-banking sector, which tends to increase the reserves and deposits with the banks. Then the bank credit and the supply of cash, so in this case the effects are similar to the case of borrowing from the banking system. (Ismail, 2003: 501)

Some researchers believe that the monetary effect of foreign loans is similar in its effect on the money supply to the effect resulting from rent revenues, as it affects the monetary base by increase because the central bank is forced to intervene in the exchange market by issuing a new currency (monetizing the debt), but these effects disappear as long as the use of Loans to cover foreign expenses, as it has no direct impact on domestic demand or money supply (a rare case). (Al-Janabi, 1990: 63)

In addition to the internal and external sources of financing, the management of public debt and its volume has implications for monetary policy, including the following:

1. The government debt management strategy affects the performance of monetary policy, as it represents a limitation on the actual independence of the Central Bank, as well as the means of managing public debt in interest rates and the complexity of government financial operations from the central bank's mission to control monetary aggregates.
2. The rise in public debt as a percentage of the gross domestic product negatively affects the credibility and effectiveness of monetary policy, as this entails risks represented in the acquisition of this deficit with a monetary character or the conversion of that deficit into money in the future.
3. The rise in the public debt to GDP ratio often has a negative impact on economic activity, as it pushes the government to raise taxes and increases pressures to raise real interest rates and the consequent crowding out of private investment by the government. (Kamal, 2010, 8).

Based on the foregoing, the sources of government deficit financing can have clear monetary effects that vary according to the different sources of financing on the one hand, and the methods of using them on the other, as well as the case with the form and size of debt management, and then this important question must be raised, which of these means is more effective Does it affect the increase in national income and does not have a significant effect on increasing the interest rate? , that an increase in income may often conflict with the problem of an increase in the interest rate, so it is necessary to ascertain here which of these means is the most useful.

Therefore, financing government spending by selling government bonds (borrowing from the public) is the most effective because it distances the national economy from fluctuations in the price level, in addition to achieving a reasonable increase in income. (Al-Hallaq and Al-Ajlouni, 2010: 276)

Fourth: Methods of using the surplus in the general budget and its impact on monetary variables.

The previous effects of the fiscal policy resulted from addressing the public budget deficit, and how to finance this deficit. In the case of a surplus in the public budget, the monetary effects of the public budget surplus in general and the change in the money supply in particular depend on how the government uses that surplus. In terms of depositing with the central bank or commercial banks or using the surplus to pay government debts.

This can be identified through the monetary basis equation through the budget of the Central Bank as follows:

Monetary basis = assets with the central bank - liabilities on the central bank.

Where the monetary basis consists of:

- The currency in circulation with the public.

The total cash reserves of the bank.

- Central bank investments in government bonds.

The sources of the cash basis (assets) are as follows:

- Central bank credit to the government and commercial banks.
- Central bank investments in government bonds.
- Gold and foreign currencies.

The liabilities of the Central Bank are as follows:

Deposits with the Central Bank (bank deposits, government or foreign deposits).

- Net other accounts.
- Capital and reserve.

If there is an increase in the (sources) components, this will lead to an increase in the monetary basis, either in the form of bank cash reserves or a currency in circulation with the public, while the increase in the (liabilities) components will lead to a contraction of the monetary basis, so that the government deposits the surplus of the general budget with the bank The central bank means either an increase in government deposits with the central bank or the payment of government debts to the bank itself, and according to the monetary basis equation, this will lead to a contraction of the monetary basis, which leads to a decrease in the abundance of credit and an increase in its cost, which may require the central bank to follow a loose monetary policy to face that.

But if the government deposits surplus balances with commercial banks, this will lead to an increase in its cash reserves and an increase in the requirements of the necessary legal cash reserve, and this in turn leads to a decrease in the money supply and a reduction in the credit base, but to a lesser degree than if it were deposited with the Central Bank. Some uses of the general budget surplus have expansionary effects on the economy in general, and this is represented in the case in which the surplus is used to pay off government bonds owned by commercial banks. However, if the government uses the surplus to pay off its debts and bonds with the public outside the banking sector, this will lead to an increase in the public's deposits with commercial banks during the period of the general budget surplus, which may increase spending in various sectors as a result of the abundance of credit and its low cost, and we conclude from the foregoing that the monetary effects The surplus of the general budget depends on the method In order to use that surplus, some of its uses leave deflationary effects on the money supply in the public and on the volume of reserves with banks, which reduces spending in the private sector as a result of the lack of sufficient credit and its high cost. As for using the surplus to pay government bonds held by commercial banks or The public is outside the banking sector, leaving expansionary effects on the credit supply. (Al-Ahwal, 2005: 57)

The second axis / analysis of the net general budget in the Iraqi economy during the period (2003-2020).

The general budget is of great importance in economic policy, and its impact, directly or indirectly, on many macroeconomic variables, 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 public revenues in Iraq approved mainly on the oil side, and as a result of the importance of these committees from the financial policy and to determine the actual reality of the deficit or surplus in the general budget. The gross domestic product will be explained in detail, in turn, as follows:

Table (1)
The evolution of the general budget (with oil revenues) in the Iraqi economy for the period (2003-2020).
(million Iraqi dinars)

the year	Total revenue	Total expenses	Deficil or surplus	Deficit or surplus growth rate	GDP	Deficit or Surplus/GDP
2003	2146346	1982548	163798	——	29585788,6	0,55
2004	32982739	32117491	865248	428,24	53235358,7	1,62
2005	40502890	26375175	14127715	1532,79	73533598,6	19,21
2006	49055545	33487877	15567668	10,19	95587954,8	16,28
2007	54599451	33545144	21054307	35,24	111455813,4	18,89
2008	80252182	59403375	20848807	-0,97	157026061,6	13,27
2009	55209353	52567025	2642328	-87,32	130643200,4	2,02
2010	69521117	64351984	5169133	95,62	162065565,5	3,18
2011	99998776	69639523	30359253	487,31	217327107,4	13,96
2012	119466403	90374783	29091620	-4,17	254225490,7	11,44
2013	113767395	106873027	6894368	-76,30	273587529,2	2,51
2014	105386623	83556226	21830397	216,64	266332655,1	8,19
2015	66470252	70397515	-3927263	-117,98	194680971,8	-2,01
2016	54409270	67067437	-12658167	222,32	196924141,7	-6,42
2017	77335955	75490115	1845840	-114,58	221665709,5	0,83
2018	106569834	104158183	2411651	30,65	268918874	0,89
2019	107566995	133107616	-25540621	-1159,05	276157867,6	-9,24
2020	63199689	148606809	-85407120	434,39	219768798,4	-38,86

the year	Average growth rate of deficit or surplus	Average deficit or surplus/GDP
Average Duration 2003-2013	242,06	9,35
Average Duration 2014-2020	-69,66	-6,66

Source / prepared by the researcher, based on:

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

The first requirement: analysis of the deficit and surplus in the general budget (with oil revenues) for the period (2003-2020).

We note from Table (1) that the average surplus growth rate 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, which led to an increase in Iraq's oil revenues. Which led to an increase in public revenues despite the decline in other revenues (tax revenues and non-tax revenues), at a time when public spending was mainly focused on current expenditures, as the increase in public revenues exceeded the increase in public expenditures, which led to a surplus In the general budget in 2003, this surplus amounted to about (163798 million dinars), and the surplus during this period came from an increase in the revenues of only one source, in light of the decline in the volume and percentage of other revenues, as the surplus percentage amounted to about (0.55 per cent) of the output. Gross domestic product, the state of surplus in the general budget continued, as the value of the surplus in 2005 amounted to (14127715 million dinars), with a growth rate of (1532.79 percent), and the percentage of surplus to GDP was about (19.21 percent), and the reason was In this is the increase in public revenues, especially oil revenues, and the decline in public expenditures. The state of surplus continued for the following years (2006, 2007 and 2008) with a value of (15,567,668 million dinars), (21054,307 million dinars) and (20848807 million dinars), then the volume declined. The surplus in 2009 amounted to (2642328 million dinars), as it achieved an annual growth rate during that period of (-87.32 percent), and the surplus as a percentage of the GDP decreased to (2.02% distributing), and that the reason for the decrease in the surplus It is the result of the collapse of oil prices due to the financial crisis during that period, as they fell to their lowest levels and 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 % dirhams), and its percentage of the gross domestic product amounted to (2.51%) , the reason for this deficit is the decrease in public revenues As a result of the decline in oil export revenues, which is attributed to the decline in international oil prices.

When extrapolating the financial situation 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 (1) that the size of the surplus during this period remained continuous for the year 2014, as the general budget recorded A fiscal surplus in 2014 amounted to (218,30397 million dinars), with a growth rate of (216.64 percent) and a surplus to GDP (8.19 percent), but soon there was a deficit in the public budget in 2015 amounting to (-3927263 million dinars)) with a negative growth rate of (-117.98 percent) and a deficit to GDP ratio of (-2.01%), and this deficit continued in 2016 at (-12658,167 million dinars) and a growth rate of (222.31 percent). With a negative percentage of GDP, it amounted 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 (0.83% dirhams and (0.89%), while the deficit existed for the two years (2019 and 2020) at (-25540621 million dinars) and (-85407120 million dinars), respectively, with a deficit growth rate of (-1159.05 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 %) of the gross domestic product.

It is clear that the state of the general budget in the Iraqi economy was and still is linked mainly to oil revenues, which are determined in light of international oil prices (the external factor) and the amount of domestic oil production (the internal factor), so changing these factors will have a direct impact on the state's general budget.

The second requirement: analysis of the deficit and surplus in the public budget (without oil revenues) for the period (2003-2020)

Iraq's non-oil revenues contributed low to the general budget compared to all developing and developed countries, as France is one of the countries in which the budget relies heavily on taxes with an annual average for the last ten years at a rate of (44.2%) of the general budget, followed by Denmark, which constitutes taxes It has an annual average of (43.8%) as the total tax revenues from the revenues of the general budget. As for other countries, such as Belgium, they depend mainly on taxes with an annual average rate of (45.8%)* as the total tax revenues from the revenues of the general budget, and with a simple comparison and as we mentioned previously, the extent of the adoption of The general budget in Iraq is completely dependent on oil revenues. Thus, the budget is unilateral as oil, which has led to a weak contribution of tax revenues to financing the general budget in Iraq, unlike many other countries, as shown in the following table:

http://oe.cd/revenue-statistics OECD 2019*

Table (2)

The evolution of the general budget (without oil revenues) in the Iraqi economy for the period (2003-2020).

(million Iraqi dinars)

the year	tax revenue	Total expenses	Deficil or surplus	Deficit or surplus growth rate	GDP	Deficit or Surplus/GDP
2003	349	1982548	-1982199	___	29585788,6	-6,69
2004	159644	32117491	-31957847	1512,24	53235358,7	-60,03
2005	495282	26375175	-25879893	-19,01	73533598,6	-35,19
2006	593887	33487877	-32893990	27,10	95587954,8	-34,41
2007	1397991	33545144	-32147153	-2,27	111455813,4	-28,74
2008	985837	59403375	-58417538	81,71	157026061,6	-37,20
2009	3334809	52567025	-49232216	-15,72	130643200,4	-37,68
2010	1532438	64351984	-62819546	27,59	162065565,5	-38,76
2011	1783593	69639523	-67855930	8,01	217327107,4	-31,22
2012	2633357	90374783	-87741426	29,30	254225490,7	-34,51
2013	2876856	106873027	-103996171	18,52	273587529,2	-38,01
2014	1885127	83556226	-81671099	-21,46	266332655,1	-30,66
2015	2015010	70397515	-68382505	-16,27	194680971,8	-35,12

2016	3861896	67067437	-63205541	-7,57	196924141,7	-32,09
2017	6298272	75490115	-69191843	9,47	221665709,5	-31,21
2018	5686211	104158183	-98471972	42,31	268918874	-36,61
2019	4014531	133107616	-129093085	31,09	276157867,6	-46,74
2020	4718190	148606809	-143888619	11,46	219768798,4	-65,47

The Year	Average growth rate of deficit or surplus	Average deficit or surplus/GDP
Average Duration 2003-2013	166,74	-38,25
Average Duration 2014-2020	7	-39,7

Source / prepared by the researcher, based on:
- Central Bank of Iraq, Statistical website, different years, https://www.cbi.iq.
- Columns (7,5,4) are from the researcher's work based on the data of columns (2,3,6).

In order to show the extent of the deficit in the general budget, oil imports were excluded from the latter. When observing the special figures in the deficit growth rates for the period (2003-2013) mentioned in Table (2), we note that there is a deficit for all years, with an average deficit growth rate of (166.74%)), as the year 2004 recorded the highest growth rate of the deficit during this period at a rate of (1512.24 per cent) and an estimated amount of about (31957,847-million dinars), while the year 2011 was the lowest rate of growth of the deficit at (8.01% per cent) and at an amount of (67855930). - million dinars), while the growth rates were negative for the years 2005, 2007, and 2009 at a rate of (-19.01 percent), (-2.27 percent) and (-15.72%), respectively.

The GDP did not have any positive impact on the deficit in the public budget, with an average negative growth of (-38.25 percent), in addition to the acceleration in years in terms of the amount of negative deficit available on the gross domestic product. The negative deficit ratio reached its maximum in 2004 At a rate of (-60.03 percent) and the lowest negative deficit rate in 2003 at a rate of (-6.69 percent), the main reason for this budget deficit is due to the lack of diversification in public revenues, especially tax revenues, and Iraq's dependence on oil revenues, as well as the Significant rise in the volume of public expenditures.

The deficit continued for the period (2014-2020), and as shown in Table (2), the average deficit growth for this period was about (7%), as the two years (2018 and 2019) witnessed an absolute increase in the growth rates of the budget deficit at a rate of (42.31%). and (31.09 percent) respectively, while the lowest rate of disability growth in 2017 was at (9.47 percent), while the rate of disability growth was negative for the years (2014, 2015 and 2016) at rates (-21, 46 percent), (-16.27 percent), and (-7,57 percent) respectively, which in turn affected the gross domestic product and did not cover the budget deficit.

In the end, we note through the previous analysis and for the first and second periods that the size of the surplus or deficit (when calculating total revenues, including oil) for the period (2003-2013) is that the average growth rate of the size of the surplus or deficit is about (242.66%), which constitutes these revenues (96%). 0.4 percent of the total total revenues and (43.68%) of its contribution to the GDP, which is a very high percentage compared to the period (2014-2020), which also constituted of the total total revenues (86.12 percent), and (30.12%) its contribution to the GDP.

In the case of (not calculating total revenues, including oil) and only tax revenues, it turns out that the size of the deficit or surplus for the period (2003-2013) was calculated in the tax budget at an average growth rate estimated at (166.74%), which constitutes of the total revenues The college has 1.94% and 1% of its contribution to the GDP, which is a lower percentage than the period (2014-2020), which also constituted (5.22%) of the total revenues and (1.74). %) its contribution to the gross domestic product.

The difficulty of addressing and returning the phenomenon of disability that occurred during the years (2013, 2018, 2019 and 2020) to a reasonable level and addressing the complexities affecting it is through studying the factors and removing them, the most important of which are:

1- The failure of government resources and revenues to keep pace with the growth in public spending.

2- Increasing the percentage of current spending in the general budget to total public spending.

3- Absence of a policy of rationalization in public expenditures and its poor efficiency.

4- The spread of cases of administrative and financial corruption within government institutions and the accompanying waste of public funds, which led to a loss of public expenditures.

It should also be noted that the deficit in public budgets from 2003 until the estimates of the year 2020 is a planned deficit (with the exception of 2016, when the planned deficit turned into an actual deficit as a result of the drop in oil prices), since the planned deficit in Iraq has its justifications, which are represented in hedging against the fluctuations that occur In oil prices and the possibility of their prices falling, which exposes the national economy to a real deficit crisis, as happened in 2014, as the government relies on oil export revenues to finance the public budget with the money needed for government expenditures, at a rate of up to (92%) of the budget value, and thus it can be said that the state It resorts to fiscal policy to face fluctuations in oil prices by relying on its high prices or at least its stability, which provides it with the necessary funds to cover the planned deficit through the difference between the planned price of a barrel of oil and the realistic price.

And that this financial policy in hedging against volatile oil prices and their effects on the government budget shows us the inability of successive governments to build other productive sectors in Iraq and just watch their collapse, which made the oil sector the only one in financing the public budget. A situation of suffocating crisis that may threaten the financial and economic construction of the state, while the Iraqi government has failed to address it or at least try to find solutions. Instead, it has adopted a policy of planned deficit that keeps Iraq within economic risks, as the continuous or structural budget deficit usually leads to two things:

- Borrowing internally and externally to meet and cover government expenditures, which is a commitment that cannot be abandoned.
- The deficit leads to a state of inflation in the country, because it is forced to issue additional amounts of money or reduce the value of the Iraqi currency against the dollar in an attempt to bridge the deficit without resorting to borrowing.

From the foregoing, it is clear that facing the deficit in the general budget is one of the necessary and necessary matters, and that addressing it is one of the essential issues that are at the fore in the government's economic programs in order to advance the economic and social reality. The appropriate solutions can be summarized in the following points:

- That public spending satisfies public needs and not private needs, that is, achieving real development goals and not spending for the sake of spending only.

-Re-arranging the priorities of public expenditures for the investment side and reducing current expenditures as much as possible.

-Increasing production capacity by increasing the amount of exported oil as well as working hard to fully invest the oil wealth through investing and exporting natural gas and associated gas.

- Work to increase non-oil revenues by working on an effective tax system capable of collecting the tax amounts and fees that are imposed while providing the necessary community services to develop tax awareness among citizens.

- Combating the complex financial and administrative corruption in government agencies and strengthening the government's oversight apparatus. (Hussain, 2021: 98)

The third axis / measuring the monetary effects of the fiscal policy in the Iraqi economy for the period (2003-2020).

In this axis, the monetary effects of the fiscal policy will be estimated by measuring the effect of the independent variable {budget deficit (x)} on the approved variables {money supply, Y2 window exchange rate, Y2 interest rate Y3} through standard models that illustrate this, as it will be used regression style.

The first requirement: the description of the standard model:

In this aspect, the standard model will be described based on the economic phenomenon to be studied and in line with economic and financial theory. The standard model consists of an equation or a set of equations. In this research, the model will be described as follows:

First model:

The first model is represented by the budget deficit variable as an explanatory or independent variable, and the money supply variable in the broad sense as a dependent or dependent variable.

deltoid relationship

Depending on the aforementioned description, the functional relationship between the independent variables and the dependent variable will be as follows

$y_1=\beta_0+\beta_1 x_3+u$

Since: y1 the money supply, M2 and X3 represents the budget deficit

β_0 : constant limit

β_1: the influence coefficient of the independent variable on the dependent variable

Second Model:

The first model is represented by the budget deficit variable as an interpreted or independent variable, and the window exchange rate variable as a dependent or approved variable

deltoid relationship

Depending on the aforementioned description, the functional relationship between the independent variables and the dependent variable will be as follows:

$$y_2=\beta_0+\beta_1 x_3+u$$

Since: y2 is the window exchange rate, and X2 represents the budget deficit

$\beta 0$: constant limit

$\beta 1$: the influence coefficient of the independent variable on the dependent variable

Third model:

The first model is represented by the budget deficit variable as an explanatory or independent variable, and the interest rate variable as a dependent or dependent variable

deltoid relationship

Depending on the aforementioned description, the functional relationship between the independent variables and the dependent variable will be as follows:

$$y_3=\beta_0+\beta_1 x_3+u$$

Since: y3 is the interest rate, and X3 represents the budget deficit

$\beta 0$: constant limit

$\beta 1$: the influence coefficient of the independent variable on the dependent variable

The second requirement: presenting the results of the standard application.

The results of estimating the impact of the independent variable budget deficit in each of the approved variables (money supply, window exchange rate, interest rate) using the regression model, as it was concluded that the best model for estimation for the three models mentioned above is the inverse model, as it was imposed: ((w=1/x3, z1=1/y1, z2=1/y2, z3=1/(y3)) and the results shown in the following table were reached

: Table No. (3)

The effect of the independent variable budget deficit on (money supply, window exchange rate, interest rate)

Dependent Variable	Parameter	parameter value	T test value	Sig.	F	Sig.	R^2
Z1	B0	0.0000002	3.24	0.000	195.10	0.000	0.92
	B1	0.659	13.97	0.000			
Z2	B0	0.000001	3.35	0.000	295.43	0.000	0.90
	B1	0.471	4.69	0.000			
Z3	B0	0.008	55.91	0.000	24.92	0.000	0.61
	B1	-49.848	-4.99	0.000			

Source / prepared by the researcher based on the outputs of the Eview program (12)

We note from table (3) the following:

1- The value of the fixed term B0 in the first estimated model is significant under the level of significance (0.05), because the probability value of the t-test for the fixed limit of (0.000) is less than the level of significance (0.05), that is, we accept the null hypothesis that states that the fixed term is not significant, as well We conclude the significance of the coefficient of the variable (w) below the level of significance of 0.05, because the probability value of its t-test of (0.000) is less than 0.05. Therefore, we reject the null hypothesis which states that there is no significant effect of the budget deficit variable in the money supply Z1 and we accept the alternative hypothesis that states that there is The moral effect, and this is consistent with the first hypothesis which states that there is a significant significant effect relationship between the budget deficit and the money supply, and through the above, we conclude that there is an influence relationship of the general budget on the money supply, and that this relationship is a positive relationship so that any change in the budget In general, by one unit, it leads to a change in the money supply by 0.659. We also note the significance of the calculated F value below the level of significance (0.05), because the probability value for it has reached (0.000) which is less than (0.05), and this means that the estimated model as a whole is significant, As the coefficient value The determination (R2) (it reached (0.92), which means that the independent variable explains (92%) of the changes in the money supply, which is a large value. As for the remaining percentage, which is (92%), it is due to factors found within the random error.

2- The value of the fixed term B0 in the second estimated model is significant under the level of significance (0.05), because the probability value of the t-test for the fixed limit of (0.000) is less than the level of significance (0.05), i.e. we reject the null hypothesis that states that the fixed limit is not significant We accept the alternative that states its significance, as well as deduce the significance of the variable coefficient (W) below the level of significance of 0.05, because the probability value of its t-test of (0.000) is less than 0.05, so we reject the null hypothesis which states that there is no significant effect of the budget deficit variable on the exchange rate Window Z2 and we accept the alternative hypothesis that states the existence of the moral effect, and this is consistent with the first hypothesis which states that there is a significant significant effect relationship between the budget deficit and the window exchange rate. We also note the significance of the calculated F value below the level of significance (0.05), because the probability value for it has reached (0.000), which is less than (0.05), and this means that the estimated model as a whole is significant, and the value of the coefficient of determination ((R2) reached (0.90), and this This means that the independent variable explains (90%) of the For changes in the window exchange rate, which is a large value, either the remaining percentage (10%) is due to factors found within the random error.

3- The value of the fixed term B0 in the first estimated model is significant below the level of significance (0.05), because the probability value of the t-test for the fixed limit of (0.000) is less than the level of significance (0.05), i.e. we reject the null hypothesis which states that the fixed limit is not significant, as well We conclude the significance of the coefficient of the variable (W) below the level of significance of 0.05, because the probability value of its t-test of (0.000) is less than 0.05. Therefore, we reject the null hypothesis which states that there is no significant effect of the budget deficit variable on the interest rate Z3 and we accept the alternative hypothesis that states On the existence of the moral effect, and this is inconsistent with the first hypothesis which states that there is a significant significant effect relationship between the budget deficit and the interest rate. Significance level (0.05), because the probability value for it has reached (0.000), which is less than (0.05), which means that the estimated model as a whole is significant, and the value of the coefficient of determination (R2) reached (0.69), which means that the independent variable explains (69%)) of the changes in the interest rate, which are values Either the remaining percentage (31%) is due to factors found within the random error, while we note that there is no autocorrelation of errors as the value of (D.W = 0.59) (because it lies between 2 and 4-du.

Conclusions and Recommendations:

In light of what was mentioned in the topics covered by the study, we find that it is necessary to mention some of the conclusions reached by the student with reference to some of the necessary recommendations, which are as follows:

First: the conclusions

1- It was found from the path of the state's general budget during the study period, that the size of the budget and its preparation directly depend on oil revenues as an expenditure budget that is affected by the change in oil prices and the volume of production, which reflects the limited effectiveness of fiscal policy in moving from an economy dependent on one natural resource to A diversified economy with resources, and therefore the increasing dependence on this resource in deciding the fiscal policy, represents an element of the instability inherent in the budget.

Also, the short belief that depleted natural resources are the real wealth, and that these revenues flow into the achievements of the fiscal policy, has reduced the trend towards developing real revenues, as the increasing dependence on those rentier revenues to finance spending reduced the incentive to rely on individuals' skills and abilities.

2- 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 the activity of the Iraqi economy, due to the lack of investment in the surplus achieved in the general budget during the period of high oil prices, and this appeared through the budget deficit due to the drop in oil prices, And then the problem appeared again, which is the high deficit on the one hand and the high public debt on the other.

3- 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.

4- Fiscal policy tends to cause instability in economic conditions due to the large increase in public spending and the imbalance of this increase with the revenue side.

5- The estimated standard model proved that the budget deficit plays an important role in influencing the money supply variable through the positive relationship between them, as reflected by the parameter of the independent variable.

Second: Recommendations

1- The level, priorities and pattern of public spending in the Iraqi economy need a comprehensive review in light of the continuing budget deficit and the high share of current expenditures, which requires restructuring and organizing public expenditures, especially current expenditures, in a way that enhances the productivity of public expenditures and reduces the price effects of this type of spending as a result The inflexibility of the production system, as well as achieving coherence and consistency between public expenditures and public revenues in the budget, and government spending programs should not be just urgent measures for emergency situations.

2- Adopting the principle of transparency and a comprehensive future vision when preparing the budget, as transparency consists in disclosing information related to the general budget, and therefore the society recognizes its role, especially when there is a budget deficit and public debt. As for the future vision, it is based on the use of economic efficiency standards from in order to achieve budget goals.

3- Paying more attention to non-oil revenues in order to avoid shocks affecting the Iraqi market for securities resulting from total dependence on oil revenues mainly related to external demand. Reliance on oil revenues will make the public budget suffer from a continuous imbalance.

4- Preparing short-term and long-term plans to benefit from (depleted) oil revenues 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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