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The impact of financial policy on privatization in Iraq

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Abstract
Arab capital markets connect savers and investors, making them vital. These metrics assess economic activity and capital markets. National stability depends on economics.
Economic stability, financial stability, income and wealth redistribution, and full production factor employment are achieved in developed nations. Spend more on infrastructure, intervene in economic and social development, save more, boost private investment, and fight macroeconomic inflation.
Development demands economic development and stability. Economic growth derives from full employment. Prices affect national and personal economies. Economic growth in emerging nations requires stability.
Fiscal policy stabilises prices, employment, and national income during booms and recessions. Anti-competition monopolies and National aggregate demand fluctuations cause economic imbalances.
Privatization began in the UK in the early 1980s and spread to developed and developing nations. Privatization in industrialized nations attempts to diminish governmental engagement in production, boost firm productivity, weaken trade unions, increase share ownership, employee ownership, and political influence.
Emerging market privatization stabilizes and transforms economies. Policies depreciate the currency, liberalize prices, slash government spending, and hurt goods, services, and public institutions. Remove foreign exchange restrictions, liberalize interest rates, eliminate local industry non-tariff protection, strengthen credit regulation, and increase private sector.
Privatization improves efficiency. Private sector productivity and efficiency. Improve manufacturing and distribution to save money.
Global capitalism cannot accept industrialized nation economic crises and capital composition.
Central rentier states can research public spending and economics. Unfettered commodities imports plagued industry and agriculture after the 2003 border opening. Manufacturing generated 1.5% of GDP after 2003, or 9%, notwithstanding earlier rates.

Keywords: Financial policy, Arab capital markets, economic stability

Introduction
Contemporary economic systems, despite their differences, aim to achieve economic and social welfare for the members of society. To this end, these systems adopt a set of economic and social objectives, primarily increasing the economic growth rate, accelerating economic and social development, allocating and distributing resources to meet public needs. To achieve these goals, plans are designed, and policies are formulated across various branches of the economic system, including the financial system and financial policy. Financial policy is considered the main axis of economic policies, serving as an effective tool for achieving economic and social objectives and bearing the greatest burden in realizing overall and sectoral goals. It influences the trajectory of economic activity through its various instruments, and the general budget is the tool through which public revenues and expenditures can be directed to impact economic and social variables towards paths that ensure the achievement of the government's objectives.

Research Methodology
First: Research Problem
Changes in monetary policy lead to impacts on the performance indicators of capital markets, resulting in their instability. Capital markets have increasingly played a significant role in the economic life of Arab countries, becoming a realistic option for raising capital levels and expanding financing plans, especially after the consistent growth these markets

achieved in the 1990s in their indicators and qualitative developments across various fields. This growth has enhanced their importance as one of the main channels for mobilizing and directing financial resources between savers and investors, as well as being a reflection of the general economic situation in the country. Due to the strong links between capital markets and the economy, the stability of capital markets is considered a measure of the success of a country's general economic policies. The indicators of these markets are useful economic indicators for trends in economic activity and for evaluating the performance of capital markets to uncover the developments achieved compared to other markets. Arab capital markets, like other global markets, are affected by a variety of internal and external factors and events, some of which have a positive impact on market performance, while others have a negative impact, causing fluctuations in their indicators. A set of factors have now become significantly more influential than others.

Importance of the Research

Monetary policy is one of the most important tools of economic policies that affect economic activity. Since capital markets are a significant and complementary part of economic activity, it is essential to study the capital markets and their performance development through a set of indicators directly related to the functioning of these markets. Understanding the impacts and reflections that monetary policy variables generate on the performance indicators of capital markets is crucial. This contributes to providing new and important information to several stakeholders in the capital markets, including government agencies, investors, and researchers in this field.

Research Hypothesis

There is an impact of financial policy on privatization in Iraq.

Research Objectives

The research aims to achieve several objectives, including:

1. Identifying the financial policy variables related to the performance of the Iraqi economy.
2. Achieving economic stability.
3. Understanding the causes of economic and financial fluctuations affecting the level of economic activity.
4. Achieving full employment of production factors.

Chapter One: The Concept of Financial Policies

First: Definition of Financial Policy

The term "financial policy" is derived from the French word "Fisc," meaning purse or treasury. Initially, financial policy referred to both public finance and the state budget. The widespread academic use of this term was reinforced by the publication of the book "Fiscal Policy and Business Cycles" by Professor Alain H. Hansen. The concept of financial policy reflects the aspirations and objectives of the society in which it operates. Historically, societies aimed to meet public needs and finance them from the resources of the general budget. Consequently, economists focused their attention on the principles of the general budget and ensuring its balance.

However, since the selection of public needs to be met requires officials to make decisions, which may sometimes have conflicting effects, the issue arose of how to reconcile these conflicting objectives and achieve their effectiveness desirably. Based on these reconciliations and balances, the foundation and concept of financial policy were formed. Financial thought is rich with various definitions of the concept of financial policy. We present a few examples:

1. Financial policy is defined as a set of policies related to public revenues and public expenditures intended to achieve specific objectives.
2. Some define it as the policy of using public finance tools, such as spending programs and public revenues, to influence macroeconomic variables like national output, employment, savings, and investment, to achieve desired effects and avoid undesirable ones on national income, output, employment levels, and other economic variables.
3. It is also defined as a set of goals, directions, measures, and activities adopted by the state to influence the national economy and society with the aim of maintaining overall stability, promoting development, addressing problems, and coping with changing circumstances. It relates to the part of government policy concerning generating state revenue through taxes and other means and determining the level and pattern of expenditure of these revenues.

Another definition, consistent with the previous ones, clarifies that financial policy comprises the studied and deliberate policies and procedures related to the level and pattern of government spending on one hand, and the level and structure of revenues it obtains on the other hand.

From these definitions, we can say that they all agree that financial policy is the state's tool to influence economic activity to achieve economic, social, and political objectives. In other words, financial policy is a method or financial action program that the state follows by using public revenues and expenditures, as well as public loans, to achieve specific goals, primarily to advance the national economy, drive development, promote economic stability, achieve social justice, provide equal opportunities for all citizens, and reduce the disparity in income and wealth distribution among individuals.

Second: Objectives of Financial Policy

Developed countries, having completed the prerequisites for economic growth, feature comprehensive and flexible production systems. Thus, the objectives of financial policy in developed countries include:

1. Achieving economic stability.
2. Mitigating the severity of economic and financial fluctuations affecting economic activity.
3. Redistributing income and wealth to reduce income disparities.
4. Achieving full employment of production factors.

In contrast, countries that have not yet met the requirements for economic and social development focus on different objectives, including:

1. Increasing economic growth rates by boosting government spending on infrastructure projects that help create a favorable investment climate.

2. Correcting the course of economic and social development through intervention at various stages of the economic cycle.
3. Increasing the flow of savings to the government sector to finance developmental expenditures.
4. Creating an investment climate conducive to the prosperity and growth of private investment, addressing deflationary and inflationary gaps affecting income levels and the volume of private investment.
5. Combating inflation at the macroeconomic level and then taking necessary measures-financial policy-to combat sector-specific inflation, thereby restoring balance between aggregate supply and demand.

Third: Tools of Financial Policy

1. Public Expenditures: Public expenditures reflect the role and evolution of the state. As the state's role evolved from a minimal state to an interventionist state, and then to a producer state, public expenditures increased in size and diversified in type. They became a primary tool of financial policy and economic policy. With the development of the nature of financial policy from neutral financial policy to interventionist financial policy, the study of public expenditures evolved, gaining prominence in financial theory.

The study of public expenditures aims to understand the impact they have on the economic and social lives of citizens and to use this impact to establish general guidelines for public spending policy that align with the state's economic policy objectives.

Public expenditure can be defined as a sum of money spent by a public legal entity with the aim of achieving a public benefit.

This definition of public expenditure comprises three elements, which represent the pillars of expenditure: the first element is that public expenditure is a monetary amount; the second element is that it is issued by the state or a public legal person; and the third element is that it aims to achieve a public benefit.

Let's now discuss these three elements (pillars of expenditure) to determine the correct concept of public expenditure.

2. Revenues: These are the revenues obtained by the state in its capacity as a legal entity that owns wealth and provides public services. These revenues include income from leasing state-owned properties, interest on loans, and profits from projects. The state's revenues from its properties can be categorized into two main types: domain revenues and general prices.

The term "domain" refers to state properties of any nature, whether real estate or movable, and regardless of the type of state ownership, whether public or private. State properties (Domain) are divided into two categories: public domain and private domain.

3. Public Domain: This type includes all properties owned by the state that are subject to public law and are designated for public use, such as roads, airports, ports, and public parks.

The public domain has several characteristics: it cannot be sold as long as it is designated for public use, it cannot be acquired through adverse possession, and its ownership by the state is public, governed by administrative law. The purpose of the public domain is to provide public services rather than generate revenue for the treasury, although it can still generate income, such as entrance fees to parks or airports.

Section Two: The Importance and Characteristics of Financial Policy

First: The Importance of Financial Policy

Financial policy significantly contributes to achieving economic development, ensuring social justice through the adaptation of its tools, and ultimately achieving economic stability. This section explores the role financial policy plays in attaining these goals as follows:

Economic Stability: Financial policy aims to achieve full employment of available economic resources, avoid significant changes in the general price level, and maintain an appropriate real growth rate in national output. The concept of economic stability encompasses two primary objectives that financial policy, along with other policies, strives to achieve:

a) Maintaining full employment of available economic resources.
b) Achieving a suitable degree of stability in the general price level.

Full employment does not necessarily mean reducing the unemployment rate to zero; rather, it requires a relative absence of unemployment and the creation of productive job opportunities for all qualified individuals seeking work at prevailing wage rates. Price level stability means the absence of noticeable or sharp short-term fluctuations in the general price level. Relative changes in the prices of individual goods (Reflecting changes in personal preferences) do not conflict with overall price level stability.

Economic stability is a fundamental condition for fostering development, which should be supported by other conditions necessary for the success of economic development policies. This stability should be accompanied by an increase in the economic growth rate. Achieving full employment leads to the full utilization of available economic resources, which in turn raises economic growth rates, living standards, and temporary price levels. Conversely, fluctuations in price levels lead to corresponding fluctuations in economic activity, causing problems such as unemployment and recession on one hand, and inflation and rising prices on the other, creating economic issues at both the individual and national levels.

It is noteworthy that achieving stability in developing countries is particularly important due to its close association with the goal of economic development. Therefore, economic development must go hand in hand with the goal of achieving economic stability so that individuals can reap the benefits of development. The absence of economic stability diverts many productive investments into unproductive investments, such as real estate speculation and goods hoarding, instead of investing in real industrial or agricultural activities.

Here, we question how financial policy can serve economic stability, which we will attempt to answer below.

Financial policy plays a crucial role in achieving economic stability, especially during periods of recession or boom, due to its impact on employment levels, price levels, and national income.
Examining the causes and sources of economic imbalances and fluctuations that disrupt economic stability in any society reveals two main types of reasons, without ignoring other causes related to the economies of underdeveloped countries:

1. The emergence of an excess or deficit in aggregate demand in the national economy.
2. The presence of monopolistic forces that deviate from competitive rules and have significant control over setting prices and wages in society, combined with low flexibility in some production factors.

Economic policy relies on several essential tools and measures to achieve economic stability, including:

a) Fiscal Policy Tools: By influencing aggregate demand through tax and expenditure policies, both in terms of reduction and increase.
b) B Central banks use fiscal policy tools to control the quantity of circulating money. Here, we focus on understanding the role of fiscal policy, and the effectiveness of its outcomes depends not only on theoretical considerations but also on practical application. We know that a state's general budget may be balanced, in deficit, or in surplus.

In the case of a deficit or surplus in aggregate demand:
A deficit in aggregate demand, represented by deficit financing in fiscal policy (Unemployment).
The problem in this case is that aggregate demand does not match the total supply of goods and services. This imbalance occurs when aggregate demand aligns with total supply at a level below full employment, indicating a deficit in aggregate demand. Consequently, planned savings at full employment exceed investment, compounded by a general budget deficit. In this scenario, it becomes necessary for the government to intervene to prevent the escalation of economic problems and thereby maintain economic stability through fiscal policy.

Second: Characteristics of Fiscal Policy
Fiscal policy addresses this issue by raising the level of aggregate demand to the point where full employment is achieved, thereby overcoming the recession and the resulting unemployment. This is done using both tax and spending policies, either separately or combined in varying proportions depending on the nature and size of the problem at hand.
Through spending policy (Expanding public expenditures), countries can increase the level of demand by undertaking public investment projects such as building roads, schools, and hospitals, etc. The government can also increase social subsidies like unemployment and old-age benefits. As a result, personal incomes and personal spending increase, not just by the amount of public spending, but in a multiplied effect due to the investment multiplier. This type of support enhances individuals' spending capacity, which stimulates investment and increases employment.
Public revenues (tax reductions) are also used to combat recessions through the compensatory effect of taxes. Tax reductions can contribute to increasing consumption and investment. Consumption can be increased by raising the income levels of low-income groups, as their marginal propensity to consume is higher. This means that increasing their incomes will likely lead to more consumption. Incomes of individuals in these groups can be increased by reducing the progression in tax rates applied to the initial income brackets.
Regarding investment, tax policy can boost it by adjusting taxes on profits, thereby encouraging producers to invest and increase production. It should be noted that increasing public spending is more effective than reducing taxes because:

1. The investment multiplier is larger when spending is increased compared to when taxes are reduced.
2. Increasing the level of aggregate demand (inflation), i.e., fiscal policy characterized by surplus financing: In this scenario, the problem of economic stability is that aggregate demand exceeds aggregate supply, meaning there is an excess of monetary demand. Investment is greater than savings plus the public budget deficit. In such a case, given the conditions of low flexibility in the production apparatus, the stability issue becomes pronounced.

Third Requirement: The Concept of Privatization
The term "privatization" began to be used in the United Kingdom in the early 1980s. Due to the novelty of the concept, there is no specific definition for it in English dictionaries. The concept of privatization quickly spread to both developed and developing countries, which implemented various methods and approaches to privatization.
Accordingly, the definition of privatization has evolved to encompass several methods and levels applied in both developed and developing countries. Some writers refer to "Effective Privatization," which includes all methods that result in the complete or partial transfer of state ownership and assets to the private sector. This involves a transfer of ownership.
Other writers add methods that lead to a transfer of control of public sector institutions, which may not necessarily involve a change in ownership. The third level of the concept of privatization is more comprehensive, adding methods that aim to introduce private sector management techniques into the administration of public sector institutions. This definition implies that privatization does not necessarily require any change in ownership or management.

The objectives of privatization policy in developed countries include the following

1. Reducing the size and role of the state in the production of goods and services.
2. Increasing the production efficiency of institutions under privatization.
3. Weakening the influence and role of labor unions in the public sector.
4. Expanding share ownership (Popular Capitalism).
5. Encouraging employee ownership.
6. Achieving political gains.

In developing countries, the objectives of privatization policy differ significantly from those in developed countries. The primary goal of implementing privatization programs in developing countries is to address the economic crisis through economic stabilization and structural adjustment programs.

Many developing countries have been pressured by international financial institutions, especially the World Bank and the International Monetary Fund, to adopt economic stabilization and structural adjustment programs to address the economic crises that swept through most of these countries in the early 1980s. These structural adjustment programs are a package of economic policies that may vary somewhat from one country to another but typically include the withdrawal of government subsidies on goods, services, and public sector institutions, price liberalization, currency devaluation, reduction of government expenditure, relaxation of foreign exchange controls, and liberalization of interest rates to ensure they are real. Additionally, these programs include the removal of non-tariff protections for local industries (Trade liberalization), strict control over credit, and the encouragement of the private sector to lead economic development by allowing it to operate in all sectors previously monopolized by public sector institutions. This is known as privatization.

This means that privatization is an integral part of the economic reform and structural adjustment programs. It primarily aims to address the economic crisis by correcting the negative impact of the financial performance of public sector institutions on the public financial balance. This is achieved by reducing financial support for these institutions and increasing their revenues, in addition to enhancing the efficiency of the privatized institutions, assuming that the private sector is more efficient than the public sector. Consequently, this is expected to lead to an increase in the economic growth rate of the country.

Economic Justifications

The issue of privatization or the roles of the public and private sectors in the agricultural sector of developing countries is a significant one, highlighted by the experience of liberalization and structural adjustments. Discussions on this topic revolve around two main axes: the justification for privatization based on reducing government expenditure and improving economic efficiency.

First: Reducing Government Expenditure

The goal of reducing government expenditure is one of the fundamental requirements for long-term economic restructuring. The importance of reducing government spending stems from the fact that most developing countries suffer from deficits in their trade balance and balance of payments, leading to an increasingly growing foreign debt. In such a situation, justifying privatization by reducing government spending is considered acceptable. It is also believed that public revenues in low-income countries are structurally inadequate to meet development needs. Since external funding sources have dried up and budget deficits have become unsustainable, the state must set its priorities correctly and limit spending in non-essential areas. Instead of performing many tasks inefficiently, the state should focus on limited, high-efficiency activities.

It is worth noting that some literature indicates that, in the short term, the savings achieved by developing countries in public spending often go towards debt servicing, and the revenues from privatization are not expected to increase spending in priority areas in the near term.

Second: Increasing Economic Efficiency

Increasing economic efficiency through the privatization of public sector institutions is the primary goal of reform programs. Economic efficiency consists of productive efficiency and the efficiency of the privatization process. Resource allocation efficiency is achieved when the relative prices of resources reflect their true value or scarcity, or their opportunity cost. The goal of productive efficiency depends on the ability of institutions to produce the same quantity at the lowest possible cost or to produce a larger quantity of the product at the same cost. Therefore, the goal of increasing economic efficiency relies on gains related to distributive efficiency as well as productive efficiency.

Proponents of privatization believe that public institutions are less efficient in their internal operations compared to private institutions for several reasons. One reason is that public institutions are often protected from competition, leading to the use of inputs in ways that do not maximize production. Proponents also believe that public institutions often receive capital at subsidized rates, leading to its use in ways that do not reflect its true cost. The property rights school argues that the incentive for management to maximize profitability and minimize costs is weaker in the case of public ownership, because bureaucracy and the absence of shareholders with an interest in maximizing profits reduce the pressure on management to achieve performance efficiency and maximize profitability.

Another Perspective on Privatization

Another viewpoint in the literature on privatization suggests that the inefficiency of the public sector is actually due to several reasons unrelated to economic causes. As is well-known, public institutions often have social objectives that conflict with the goals of economic efficiency. For instance, the structure of public institutions is often inflated to create employment opportunities. In this case, they contribute to better income redistribution and achieve a higher level of social welfare. For the same reasons, public institutions do not follow commercial principles in their operations but provide services or goods at prices that do not reflect their actual costs. Additionally, the management of public sector institutions suffers from routine and bureaucracy, which may be the real cause of their inefficiency.

The literature also suggests that privatization has significant implications for the distributive efficiency of resources, which can be achieved when the relative prices of resources reflect their true value. However, some believe that the essential condition for achieving optimal resource allocation under privatization is the free movement of enterprises, allowing them to exit low-yield sectors and enter more profitable ones. Some literature finds it difficult to accept the prevailing belief that resource allocation efficiency will improve with privatization, considering distributive efficiency as a function of market structure rather than ownership form. These critics argue that the degree of

competition in the relevant sector has a more positive impact than privatization. Therefore, increasing competition by reducing monopolistic institutions becomes an important goal for achieving overall efficiency gains. More specifically, turning public monopolies into private monopolies will not lead to an improvement in distributive efficiency.

All researchers and economic writers agree that the world is experiencing a new era of developments, especially in economic conditions, and their impacts on daily life, services, resource development, and the provision of necessities for maintaining the development of human and natural resources, as well as protecting the environment and human life, particularly in developing countries.

Systems, regardless of their differences in reality, represent relationships between active forces ("productive forces"), their relationships, and prevailing technologies, as well as a set of issues and problems that must be addressed and confronted by various systems to find solutions. This is done through insights into the fundamental changes that shape a modification or shift in the dominant trend. From an economic perspective, it has become noticeable that there is a contradiction in the formation of capital at a global level, the recurrence of economic crises in industrially advanced countries, and the global capitalist mode of production, which threatens international economic growth. This has significantly impacted development programs, alongside the roles played by international institutions such as the International Monetary Fund (IMF), the World Bank, and the World Trade Organization (WTO) regarding the laws and procedures they issue towards developing countries. Particularly, their conditions, such as "economic adjustment and stabilization policies," and the liberalization of global trade to benefit advanced capitalist countries at the expense of developing countries due to the lack of global competitiveness.

These entities have thus operated under the banner of "economic reforms!" which, as observed, have deepened disparities and widened the gap between rich and poor countries, exacerbating developmental crises in developing countries due to the minimal contributions of these international organizations in financing them unless subjected to the conditions of the IMF and the World Bank. Additionally, there has been a reduction in foreign aid directed towards growing countries due to the lack of political motivations that previously governed "foreign aid programs" during the Cold War between the former Soviet Union and the global capitalist system.

In this context, our research addresses this topic within a historical framework and methodology that reveals the conditions and requirements for the evolution of the phenomenon and its historical succession by specifically monitoring "experiments" and producing scientific facts. This involves analyzing the experiences of countries adopting privatization as a new framework for development in developing countries, according to the prescriptions of these international organizations, not according to local or national perspectives or objective studies. This is done within the framework of an independent variable, the economic situation, from which the process of economic reform emerges, necessitating administrative and technical reforms and providing solutions to problems obstructing the path of development.

The adoption of the transition from reliance on the state sector to privatization, which escalated in the 1980s, was driven by the severe criticisms directed at the public sector, especially in the early 1970s, for various reasons. These reasons differed according to the levels of development and underdevelopment in the countries adopting privatization. Regarding developing countries, despite the differences in the economies of each state, there are several justifications, such as the low efficiency of most production units in the public sector, repeated financial losses, budget deficits, or because the sector was derived from socialist thought and practice, which had unsuccessful experiences. Another reason is the changes that occurred on the international stage, relying on the private sector and market mechanisms due to the rise of neoliberalism in advanced capitalist countries and the coming to power of extreme liberals in Britain and the United States in the late 1970s and 1980s, the collapse of the Soviet Union, and the socialist Eastern European countries in the late 1980s and early 1990s. This period also saw chronic budget deficits, balance of payments issues, the reduction or cessation of subsidies for some public institutions, and the need to reduce internal and external debt, among other reasons.

Thus, a new economic philosophy and modern economic models emerged, based on structural changes in the ownership structures of public institutions. This economic philosophy is built, as mentioned, on the development that occurred in global economic thought and the experiences of advanced countries. It was adopted without deeply understanding the real reasons for the failure of public sector experiences, or the state sector, but instead taking the economic prescriptions of neoliberalism without scrutiny. This logic applies to developing countries.

Chapter Two: The Reality of Fiscal Policies and Their Impact on Privatization in Iraq

Examining the relationship between external economies and the Iraqi balance of payments reveals that economic growth is measured by the difference between both sides of this balance.

A quick glance at the Iraqi economy reveals its predominant characteristic as an export-oriented economy, primarily reliant on the extraction and production of oil, which plays a leading role in the development and financing of other economic sectors (both productive and service-oriented).

The urban sector is one of those sectors funded by these external resources, and evaluating its performance is linked to the availability of funding. However, economic underdevelopment and the mismanagement of available resources are all factors playing a significant and cumulative role in undermining the developmental reality of the economy as a whole. During past and present periods, the economic cycle in Iraq still suffers from clear weakness, significantly affecting the development of other sectors, especially with the continued dominance of one sector as a primary pole for development.

While this is not inherently flawed and can be effective in the initial stages of development, what is more important is the multiplier effect of cash flows on all other sectors, stimulating them. This is evident in the economies of some Gulf countries and Southeast Asian countries that have

benefited from strong inflows to develop and invigorate other sectors. Their experiences are considered suitable for Iraq with some required improvements, particularly in financial dependency and credit, and addressing them to avoid global collapses.

The economic reality in Iraq, despite the cash windfalls from rising oil prices, indicates the continued low contribution of other economic sectors to the gross domestic product due to the backwardness of production means, the disruption of local competition against global production, and the high marginal cost of industrial and agricultural production compared to neighboring countries.

In the 1990s, the Iraqi economy underwent a sharp turning point due to the invasion of Kuwait and the imposition of economic sanctions. This led to almost a complete halt in oil exports, depletion of foreign currency reserves, near-total disruption of existing productive and investment institutions, and the destruction of much of the infrastructure, including oil facilities, power stations, and water supplies. The suffering of the population increased significantly.

The economic sanctions severed Iraq's ties with the outside world, resulting in almost total cessation of any form of economic exchange between Iraq and the international community. Consequently, Iraq lost its foreign currency reserves, most of which came from crude oil exports. This had serious repercussions on the Iraqi economy, leading it into a state of stagflation, which affected the overall economic life, with poverty becoming a prominent feature. Gross domestic product declined from $53.9 billion in 1980 to $12 billion in 2003.

After 2003, the Iraqi economy witnessed significant changes in its political and economic system. Calls for adopting a market economy model and promoting political participation and democracy increased, as the country moved away from the model of centralized political authority control over economic surplus. However, in practice, the prevailing economic philosophy and spending behaviors in the country's public budgets still represent a model of centralized rentier states.

Following 2003, Iraq opened its borders wide, leading to a significant surge in commodity flooding through uncontrolled imports. This phenomenon had adverse effects on the structure of the production sector, which suffered significant weakness and decline. Both the industrial and agricultural sectors, which are among the most important productive sectors, were heavily affected. Consequently, the country became unable to provide some essential and required goods due to their increased costs, which could not withstand competition with imported goods. Particularly, the manufacturing sector's contribution to GDP decreased to 1.5% after 2003, contrasting with its historical rates of 9%, while the contribution of agricultural production decreased to 5%, whereas it was 22% before.

First Topic: Evolution of Growth Rates in the Iraqi Economy

Fixed capital formation is one of the important indicators reflecting the level of development and growth in the economy. It represents one of the pillars of economic growth and is a primary source for creating new productivity in the economy. Various economists have defined this indicator differently. Economist Shapiro defined it as "the value of that portion of the national output over a certain period, taking the form of new constructions, durable production equipment, and changes in inventory." Economist Kinz sees it as "current additions to the value of capital equipment resulting from production activity over time." Meanwhile, the United Nations statistical department views it as "the acquisition of new capital goods, augmented by additions and renewals made to existing capital goods in the country."

Based on the above, fixed capital can be defined as "that portion of productivity directed towards the production of capital goods to increase the country's productive capacity, such as machinery, equipment, transportation means, constructions, and various types of buildings."

The gross national income standard has been of great importance to many economists, especially those who use the definition of economic growth as a measure. Economic growth is sometimes defined as a process where real gross national income increases over a certain period, usually a year.

When measuring gross national income over time, a distinction is made between the level of real gross national income on one hand and its growth rate on the other. Each of these measures has its own significance, which determines its utility. The level of real gross national income represents an absolute value representing a country's economic capacity, which contributes to supporting its military strength or negotiating power in its various international relations. As for the growth rate of gross national income, it reflects the efficiency of the economic system in reaching a certain standard of living. The shorter the time period to reach this level, the higher the annual growth rate.

The growth rate saw a resurgence in the years 2010, 2009, 2007, and 2008, with figures of 13,235,490.0, 15,013,422.3, 31,381,048.5, and 46,634,634.8 million dinars, respectively, with positive growth rates. However, these increases did not continue as there was a decline in the following three years: 2005, 2006, and 2007. Then there was a resurgence in 2008, from 46,923,315.7 million dinars to reaching 100,100,816.6 million dinars in 2007, with positive growth rates reaching a maximum of 88.28 for the same previous year. Subsequently, there was a decrease for the years 2008 and 2009, with a negative growth rate of -14.61.

Issue Two: Analysis of per capita GDP for the sample countries:

The importance of using this indicator lies in the fact that individual income affects and determines the standard of living for populations. Given that some social system scenarios depend on each other, and the interplay of their effects, an improvement in the standard of living will inevitably impact production, its conditions, and how populations view work and the formation of institutions. This leads to an improvement in productivity levels and, consequently, an increase in national income, which will affect the living standards of the population as a whole. For this reason, Mirdal says, "If we turn to an index that is easier to measure instead of an ideal index, our stance will understand that the growth rate of the individual's share of national income is a good choice."

Based on the data presented in Table (1), we notice the

disparity in the average per capita income, which has also fluctuated between increases and decreases due to changes in GDP growth rates. These effects reflect on what individuals receive in terms of income and their standard of living, and thus on their productivity levels and their perception of work. This pertains to Iraq.

Table 1: The data presented, we notice the disparity in the average per capita income, which has also fluctuated between increases and decreases due to changes in GDP growth rates

Year	Gross National Income (Million dinars)	GDP Growth Rate	Average Per Capita Income (Dinars)
2007	31.381.048.5	109.01	1.342.103.0
2008	46.634.634.8	48.60	1.936.172.0
2005	36.726.500.7	9.90-	1.480.131.0
2006	34.677.722.5	5.57-	1.356.453.0
2007	25.728.748.6	25.80-	976.794.0
2008	46.923.315.7	82.37	1.728.935.7
2009	65.798.566.8	40.22	2.353.058.2
2008	85.431.538.8	29.83	2.926.339.0
2010	100.100.816.6	88.28	3.372.433.0
2011	14.764.125.4	47.49	482.834.9
2012	12.606.277.8	14.61-	400.245.0

Source: Columns 1-3, Ministry of Planning and Development Cooperation, Government Investment Department.

The per capita share of the national income based on purchasing power parity (PPP) is calculated by converting the total national income into international dollars using purchasing power parity rates. The international dollar has the same purchasing power over total national income as the U.S. dollar has in the United States. Total national income is the sum of value added by all resident producers plus any taxes on products (Less subsidies) not included in the valuation of output plus net receipts of primary income (Compensation of employees and property income) from abroad. The data is in current international dollars. The per capita income share for the year 2004 was 36,320, for 2005 it was 37, 050, for 2006 it was 36,830, for 2007 it was 38, 160, for 2008 it was 39, 221, for 2009 it was 40, 111, for 2010 it was 41,214, for 2011 it was 42, 381, and for 2012 it was 43, 224.

As for the manufacturing sector, due to the severe neglect it faced during the period of economic sanctions, its share was about 4% of the Gross Domestic Product (GDP) in 2002. However, this percentage remained stagnant until 2011, then dropped by half in 2012 to 2.3%, and continued at this low level until 2013, at 2.3%. The reasons for this significant decline in the output of the manufacturing sector during the study period from 2011 to 2013 are as follows:

1. Deterioration of the security situation and the violence that engulfed the country.
2. Decrease in levels of electricity supply.
3. Disappearance of both public and private sector factories and the disabling of approximately 90% of Iraqi industrial projects after 2011.
4. Flooding of the Iraqi market with various imported goods and products.
5. Lack of sufficient financing for this sector.

From the foregoing, we note that the Gross Domestic Product (GDP) growth in 2011 lost a third of its real value due to the decline in all its constituent sectors, especially the crude oil sector, which contributed to 51.6% of the total output.

Table 2: Percentage share of some key economic sectors in the Gross Domestic Product (GDP) in Iraq (%) and their growth rate for the period (2011-2013) at constant prices.

The sectors	2011	2012	2013	2010	2011	2012	2013
Agriculture, forestry, and fishing	14.3	10.9	13.7	12.9	10.5	7.6	7.9
Crude oil	51.6	47.6	42.2	40.4	41.8	44.5	42.2
Manufacturing industries	4.6	2.3	2.2	2.2	2.3	2.2	2.3
Electricity and water	0.7	1.0	1.1	1.1	1.5	1.5	1.7
Construction and contracting	1.0	1.7	3.4	3.3	3.2	3.8	3.9
Growth rate in Gross Domestic Product (GDP)	33.1-	79.7	53.3	29.99	16.650	39.57	10.67

Source: Extracted by the researcher based on the data.

From Table (2), there is observed fluctuation in the GDP growth rate during the study period. However, the highest growth rate was achieved in 2012, reaching 79.7%. In 2012, the GDP growth rate was 39.6%, after being 16.7% in 2011. This was due to growth rates achieved by some economic sectors, especially the oil sector, as oil revenues increased due to higher oil export volumes and a 35.8% increase in oil prices. Additionally, improvements in the security situation positively impacted some economic sectors, leading to some recovery. However, this growth rate significantly decreased in 2013 due to a decline in oil prices.

Conclusions

1. The Iraqi economy suffered from economic problems that directly and indirectly led to a decline in economic growth rates.
2. Reviewing some legislation related to fiscal policy, transparency, and serious implementation monitoring.
3. Public expenditures were the main reason for the exacerbation of the state's general budget deficit during

the study period (1991-2009). This deficit was not conducive to economic growth.
4. The slowdown in general revenue growth to match public expenditure growth, due to the weak tax system, broad tax exemptions, tax evasion, and the volatility of oil revenues, which are the main source, due to changes in oil prices and external conditions.
5. The financial deficit of the general budget - a natural result of declining oil revenues - and its financing through direct cash issuance led to internal and external imbalances and widened the internal and external imbalance of the Iraqi economy.
6. Military spending played a major role in increasing public spending, contributing significantly to the budget deficit.
7. It is noticeable that the percentage of spending on education and health sectors was low compared to other areas of spending according to the percentages mentioned in the study.

Recommendations
1. The general budget should prioritize clear economic growth goals and steer fiscal policy towards elements that stimulate economic growth by identifying the most stimulating factors through revenue, expenditure, and budget elements.
2. Addressing the imbalance resulting from reliance on the single financing source, oil, in funding expenditure, and the need to diversify other revenue sources such as taxes and other sources like agriculture, industry, tourism, etc.
3. Reviewing the tax system in Iraq through legal legislation, increasing attention and inclusiveness, increasing tax revenue, and issuing legal legislation that expands the tax base and taxpayers while curbing tax evasion and exemptions.
4. Focus on private investment activity and provide it with financial and economic incentives and guarantees through supportive laws, regulations, and instructions.
5. Increasing societal savings capacity to target GDP and achieve desired economic growth rates.
6. Spending on health and education sectors would contribute to raising economic growth rates.

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