

The Role of Macroeconomic Policies (Monetary and Fiscal) to address Disparities in Income Distribution and Poverty Reduction and their Reflection on Economic Growth In the Iraqi Economy for the Period (1996-2019)

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ABSTRACT

The research aims to demonstrate the role of macroeconomic policies (monetary and fiscal) to address the effects of disparities in income distribution and poverty reduction and the extent of their success or lack thereof in achieving acceptable economic growth rates in the Iraqi economy through financial policy tools (public revenues and public expenditures) as well as monetary policy and its tools represented In this research, a wide criticism is presented (M2), using the descriptive and analytical approach to the research variables, The results showed that the economic and political shocks that the Iraqi economy faced during the period of research (1996-2019) was the reason behind the inefficiency in the performance of monetary and financial policy work, which reflected negatively on the disparity in the distribution of income between individuals on the one hand and increased poverty rates in Iraq, which reduced From the positive impact of these macro-policies on economic growth, and that the relationship between the money supply (M2) and the Gini coefficient witnessed a fluctuating relationship during the research period, while the money supply relationship (M2) has a positive relationship with the poverty line for the period (1996-2014). (2015-2019), it witnessed a clear fluctuation between the wide money supply (M2) and the absolute poverty line in the Iraqi economy a a result of the conditions that the country went through during this period

Key Words:

General Revenue, Public Expenditure, Wide Money Supply (M2), Gini Coefficient, Iraq.

Introduction

The issue of economic growth is one of the topics that receive the attention of macroeconomic policy makers, as most countries of the world place the development of gross domestic product at the top of the priorities with the aim of raising the standard of living of individuals and improving their cash income. For the purpose of achieving this goal, governments resort to taking a set of measures and measures that would The development of the country's gross domestic product of goods and services, which reflects positively on the economic activity that seeks to achieve economic development in the country, Therefore, the macroeconomic policies play an important and pivotal role in achieving growth and development as well as reducing the disparity in income distribution between individuals and at the same time limiting the phenomenon of poverty. The case is that it differs in degree of severity commensurate with the nature of the economy in the event that it is an advanced economy or a developing economy, and macroeconomic policies include financial policy

and its tools represented by public revenues and public expenditures Likewise, monetary policy and its influence through its tools, which are represented by traditional tools (money supply, legal reserve) and non-traditional (zero interest rate, quantitative and qualitative tools) (Awad and others, 257: 2020) and trade policy and its tools (exports and imports) which are considered the material base To raise the indicators of growth and development through trade openness with the countries of the world, as these policies exert their influence through their various tools on both the disparity in the distribution of income and poverty and are reflected in the economic growth in the country. In addressing the economic phenomena in question in the Iraqi economy.

Research Importance

The research acquires its importance through the positive repercussions of the monetary and financial policies on economic growth at the level of the countries of the world. Therefore, macroeconomic policy makers in Iraq must take into account the coordination between the work of

these two policies with the aim of drawing an effective macroeconomic policy that works to reduce the disparity in the distribution of income. Between individuals and thus limit the phenomenon of rampant poverty in the Iraqi economy on the one hand and is working on the development of economic growth in the country on the other hand.

Research Problem

The research problem revolves around the path taken by the macroeconomic policy (monetary and financial) in the Iraqi economy for the period (1996-2019) and the ability of these policies to reduce the effects of inequality in the distribution of income and reduce poverty in the Iraqi economy in light of the economic and financial crises at the level of the global economy and their reflection On the Iraqi economy, which resulted in rational economic policies that reflected negatively on the well-being of individuals.

Research Hypothesis

In light of the research problem, the following hypothesis can be formulated: Because of the economic and political shocks that the Iraqi economy faced during the period of research (1996-2019) that left financial and monetary burdens, the role of monetary and financial policies reflected negatively on the disparity in income distribution among individuals and increased poverty rates In Iraq, which reduced its positive impact on economic growth.

Research Goal

The research aims to analyze the role of macroeconomic policies (monetary and financial) to address the effects of disparities in income distribution and poverty reduction and the extent of their success or not in achieving acceptable economic growth rates in the Iraqi economy for the period (1996-2019).

Research Methodology

The research is based on a combination of the first two methods, the descriptive approach in studying the theoretical frameworks and ideas in relation to the monetary and financial policies and their

impact on economic growth. The second method is the analytical approach based on the economic reports and data issued by the relevant official authorities. The research was divided into three axes that included the first axis: concept and tools Monetary and financial policy The second axis included analyzing the role of macroeconomic policies (monetary and financial) to address the disparity in income distribution and reduce the phenomenon of poverty in the Iraqi economy for the period (1996-2019). The research was concluded with the third axis and included conclusions and recommendations

Search Limits

The spatial boundaries for research are Iraq, as for the temporal boundaries that included the period (1996-2019), in which Iraq went through two important phases. The first stage is the stage of the economic blockade and the comprehensive international sanctions imposed on the Iraqi economy during the period (1990-2003). After the events of April (2003) and until 2019, data and statistics related to this period were used in order to analyze the role of macroeconomic policies (monetary and financial) to address the disparity in income distribution and reduce poverty and its impact on economic growth in the Iraqi economy for the period (1996-2019).

Previous Studies

Previous studies are considered one of the main pillars of preparing any scientific research, and there is no doubt that there are many studies that have dealt with the issue of the role of macroeconomic policies (monetary and financial) to address the effects of inequality in income distribution and poverty reduction and its relationship with economic growth, but they did not directly address the research problem that will be The subject of our concern, which revolves around the path taken by the macroeconomic policy (monetary and financial) in the Iraqi economy for the period (1996-2019) and the extent of the ability of these policies to reduce the effects of inequality in the distribution of income and reduce poverty and the extent of the reflection of the work of macro policies on economic growth

in the Iraqi economy, Among the previous studies that we looked at, we mention:

1- Study (Raji Muhail Al-Khafaji: 2009) entitled: (Measuring and analyzing the phenomenon of poverty and its relationship to the disparity in income distribution in the Iraqi economy for the period (1987-2007)) The study dealt with analyzing the relationship between the phenomenon of poverty and disparity in income distribution and was aimed at developing macroeconomic policies against disparities in income distribution and poverty in the Iraqi economy. This study was able to estimate absolute and extreme poverty lines for the period (1987-2007) depending on the proposed food pattern method and also worked To estimate the most important indicators related to poverty for the period prior to the economic blockade imposed on Iraq and the duration of the blockade until 2007, This study found that the disparity in income distribution has important effects on poverty and therefore the macroeconomic policies aimed at reducing the level of inequality in income distribution would lead to a reduction in poverty rates in Iraq as well as the state's adoption of a policy of transition towards a market economy in a sudden manner that led to Inflicting great damage on the poor, as a result of the increasing disparity in opportunities between the upper strata on the one hand (being able to buy and benefit from the services), and the lower strata due to their inability to purchase these services on the other hand, thus reducing their opportunities to improve their standard of living. The emergence of marginalization and social exclusion of these groups of individuals.

2- A study (The Egyptian Arab Center, 2016) entitled: The Impact of Fiscal and Monetary Policy on Economic Growth, An Applied Study on the Egyptian Economy during the Period (1991-2013), This study aims to know the effect of fiscal and monetary policy on economic growth by applying to the Arab Republic of Egypt during the period (1991-2013), as two components of the fiscal policy were addressed, namely public revenues and public expenditures. As for monetary policy, two components were also addressed, namely the money supply. And the credit granted to the private sector, as the study

included three chapters. The first chapter dealt with the conceptual theoretical framework of fiscal and monetary policy and the most important economic theories that dealt with the issue of economic growth, As for the second chapter, it dealt with the evolution of the monetary and fiscal policy structure in Egypt during the study period, while the third chapter included the standard tests necessary to study the impact of each of the components of the monetary and financial policy under consideration and their relationship to economic growth represented by the gross domestic product.

What distinguishes this research from other previous research on this topic is that it sought to find appropriate solutions through a comprehensive vision that included analyzing the role of macroeconomic policies (monetary and financial) to address the effects of inequality in income distribution and poverty reduction and the extent of their success or not in achieving a growth rate An acceptable economical in the Iraqi economy, as well as analyzing the effectiveness of financial and monetary policies through its various tools in addressing the crises that the Iraqi economy is exposed to during the period of research, and this is why this research is a continuation and addition to previous

research and studies in this area for the Iraqi economy.

The first axis: the concept and tools of macroeconomic policies(financial and monetary):

Macroeconomic policies can be defined as: a set of measures and measures taken by the state (the economic authorities) with the aim of achieving a set of economic goals, foremost among which is achieving economic stability for the country. From the second, the fiscal and monetary policy is part of the macroeconomic policies that aim to achieve the following: (Subaihi and Hussein, 2011: 72).

1. Economic growth: That the rate of change in real output is greater than the rate of population growth with the aim of achieving a good standard of living for individuals, in other words achieving

good and stable rates of average per capita gross domestic product, so that individuals are guaranteed to live a decent life.

2. Achieving full employment: It is one of the desired goals to be achieved because of the burden of unemployment and the loss that it has attached to society from the shoulders of unemployed individuals.

3. Price stability: In light of inflation, prices rise and consequently the real income of poor individuals decreases. It is therefore the duty of the government, through its economic policy, to work to protect people with low incomes to improve their standard of living.

4. Work to achieve external balance: through the trade balance that includes exports and imports, and to achieve a surplus that brings into the country hard currencies, develops its economy, works to develop other economic sectors, and increases the average per capita share of foreign trade.

First: Fiscal Policy Concept and Tools

It is a set of rules, methods, means, procedures and measures that the state takes to manage its financial activity in the most efficient way possible to achieve a set of economic, social and political goals during a specific period of time, (Abdel Ghafour, 2009: 222), As for the most prominent financial policy tools that have been relied upon in this research, they are public revenues and public expenditures, as the state obtains public revenues through several forms with the aim of financing the expenditures that it undertakes, and that revenue is obtained through the following: (Ghadeer, 2010: 15)

1. Taxes: It is considered one of the most important tools used by the state in order to obtain public revenues, and it is divided into direct taxes imposed on wealth (income and capital). The income tax is imposed on income when income is realized, and capital tax is imposed when capital exists, while the other part is taxed. It is called indirect taxation and it is imposed when the capital is spent as sales tax.

2. Public loans: which are considered a resource of the state's financial resources and the tool for financing public spending. It is a debt that is subscribed through bonds to the public, financial institutions or banks within the borders of the borrowing country or financial institutions or individuals and banks abroad, international financial institutions and foreign governments with a pledge to pay the borrowed amounts. Pay the interest of the loan in accordance with the conditions agreed upon, (Al-Mahaini and Al-Khatib, 2000: 288), As for public expenditures, which are one of the most important means of fiscal policy used through which the volume of aggregate demand in the national economy can be increased. When a country's economy is exposed to an inflationary or deflationary gap, then the public spending policy is used either to increase the volume of aggregate demand or to reduce it according to the size of the problem it faces The economy of the country and thus the state uses public spending to influence the volume of economic activity, increase or decrease, according to the current situation in the national economy.

Second: the concept and tools of monetary policy

Monetary policy represents one of the most important elements of economic policies that are used to achieve the economic goals of society, and monetary policy aims to influence the money supply and interest rates, which in turn affect the level of economic performance in general, and in Iraq that interest rates are considered ineffective, that is, they do not significantly affect the level of performance Economic, and this is due to the lack of savings awareness among individuals, as well as the religious obligation that forbids dealing with interest rates.

Monetary policy is defined as: a set of rules, methods, means, measures and procedures that the monetary authority takes to control (influence) the money supply in line with economic activity to achieve certain economic goals during a specific period of time (Abdel-Hamid, 2003: 90), As for the most prominent monetary policy tools that have been relied upon in this research are the wide money supply (M2), which is defined as: It includes quasi money, which includes deposits of

savings accounts in banks and investment fund accounts in money markets that are managed by investment brokers and deposits. Money market account managed by commercial banks (Hussam and Mustafa, 2000: 267).

The second axis: analyzing the role of macroeconomic policies (monetary and financial) to address the disparity in income distribution and reduce poverty in the Iraqi economy for the period (1996-2019)

The Iraqi economy has gone through various stages that made the course of macroeconomic policies represented by the fiscal and monetary policies unstable as a result of the exceptional circumstances that Iraq went through as a result of wars and international sanctions as well as the effects of the US occupation of Iraq and the global financial crisis in (2008), which caused its delusion on the path of economic policy that was followed by it. The events that Iraq went through in (2014) when ISIS terrorist gangs took control of some Iraqi provinces The effects of which may have extended to the present time, because it has depleted large financial resources, and the current and future generations must bear the consequences of these crises, whether these crises are economic, political or even social, with the

aim of highlighting and analyzing the role of macroeconomic policies to address the effects of disparity in income distribution and reduce the phenomenon of poverty and its reflection. On the economic growth in the Iraqi economy for the period (1996-2019). We must shed light on the work of these economic policies (financial and monetary) through the following:

First: The role of fiscal policy to address the effects of inequality in income distribution and reduce poverty in the Iraqi economy for the period (1996-2019)

The fiscal policy is one of the tools of economic policy through which the state aims to achieve goals and objectives, including the effect on economic activity and its level of growth, which in turn reduces the disparity in the distribution of income among individuals and thus limits the phenomenon of poverty, and Table (1) shows the development of public expenditures and their reflection on The disparity in income distribution on the one hand and the poverty line on the other hand for the period (1996-2019) in the Iraqi economy.

the years	Gini coefficient	Absolute poverty line	Overhead	Annual percentage change%	General revenue	Annual percentage change%
1996	0.49	16802	542541	-	178013
1997	0.51	20513	605802	130.6	410537	11.66
1998	0.54	22944	920501	26.7	520430	51.94
1999	0.55	26141	1033552	38.1	719065	12.28
2000	0.57	27637	1498700	57.5	1133034	45.00
2001	0.58	32880	2069727	13.7	1289246	38.10
2002	0.59	35385	2518285	52.8	1971125	21.67
2003	0.35	46209	4901961	710	15985527	94.65
2004	0.41	48530	32117491	106.3	32982739	555.20
2005	0.42	58436	26375275	22.8	40502890	(17.88)
2006	0.38	88620	38076795	21.5	49232349	44.37
2007	0.30	91411	39031232	10.9	54599451	2.507
2008	0.31	103020	59403375	46.9	80252182	52.19
2009	0.32	114173	52567025	(31.2)	55209353	(11.51)
2010	0.32	117116	70134201	27.1	70178223	33.42
2011	0.29	180700	78757666	48.18	103989089	12.30
2012	0.29	247400	105139576	15.22	119817224	33.50
2013	0.27	257859	119127556	(4.9)	113840076	13.30
2014	0.25	263641	113473517	(7.43)	105386623	(4.75)
2015	0.23	267436	70397515	(45.71)	57215315	(37.96)
2016	0.24	267616	73571000	(6.64)	53413445	4.51
2017	0.27	188470	75490200	47.92	79011421	2.61

2018	0.29	193891	80873200	34.88	106569833	7.13
2019	0.31	188831	133107616	(0.94)	105569686	64.59
Duration	Average annual rate of change%			Compound growth rate%		
	General revenue	Overhead		General revenue	Overhead	
1996-2019	54.80	42.22		31.99%	%27.03	

Source:

- Ministry of Finance, Economic Department, general budget tables
- Ministry of Planning, Central Bureau of Statistics, Directorate of National Accounts.
- Annual change rates and compound growth from the researcher's work, the values are in negative parentheses

From Table (1) the development of the path of public expenditures and public revenues for the Iraqi economy for the period (1996-2019) is inferred as one of the important financial policy tools. Therefore, this aspect has been focused on with the aim of knowing the extent of the impact of public expenditures on the rates of disparity in the distribution of income for the Iraqi economy. Public expenditures and public revenues during the above period achieved successive increases, and according to the logic of economic theory that in the event of an increase in the state's public expenditures, income inequality rates should decline and the standard of living of individuals improves. It is noticeable during the period (1996-2002) that public expenditures in the Iraqi economy have been increasing continuously and reflected negatively on the rates of disparity in the distribution of income between individuals and this does not correspond to the logic of economic theory. Since it is noticed that public expenditures in 1999 amounted to (1033552) million dinars, achieving an increase over previous years, as is the case with regard to the rates of disparity in income distribution, reaching (0.55) for the same year, and the reason may be due to the nature of the economic conditions represented by the economic blockade as well as Military spending, which was unjustified, so we find that the bulk of public expenditures were intended for non-poor, and consequently, the rates of inequality in income distribution took an upward trend during this period of research, which coincided with a

continuous rise in the absolute poverty line As for the period (2003-2019), the nature of the relationship between public expenditures in the Iraqi economy and the rates of inequality was fluctuating, sometimes it is noticed that the increase in public expenditures is accompanied by an increase in inequality rates and at other times the increase in public expenditures is accompanied by a decrease in the rates of inequality in the distribution of income and that the general trend is to increase Public expenditures led to a decrease in the rates of inequality in the distribution of income for the period (2003-2019). The path of public expenditures and their relationship to the rates of disparity in income distribution can be clarified using the following chart (1):

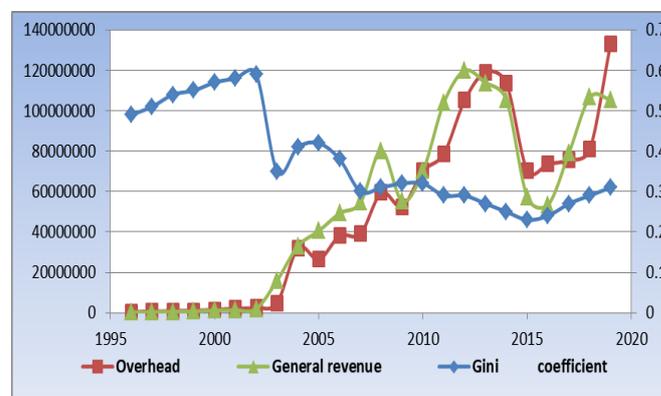


Figure (1): The evolution of revenues and public expenditures and the Gini coefficient in Iraq for the period (1996-2019)

Source: From the researcher's work, depending on the data of Table (1).

From the graph (1), it is noticed that the lowest level reached by the Gini coefficient is in (2015), when it reached (0.23), while public expenditures decreased, reaching (70397515) million dinars for the same year, and this contradicts the logic of economic theory because the decrease in public expenditures harms People with low incomes

because the goal of public spending is to achieve a public benefit regardless of the financial return from this service, and this contradiction may be justified by the fact that Iraq has passed through the stage of terrorist gangs' control, which has prompted many families to leave their homes and migrate to other than their place of residence in northern and southern Iraq. Urging relief organizations to provide aid to poor families to overcome this stage. As for the role of fiscal policy in reducing the phenomenon of poverty in the Iraqi economy and the extent of the impact of public expenditures on the absolute poverty line for the period (1996-2019), with reference to the data of Table (1) and with the help of the graph (2) below, which includes the development of public expenditures and revenues and their impact on Absolute poverty line in the Iraqi economy for the period (1996-2019):

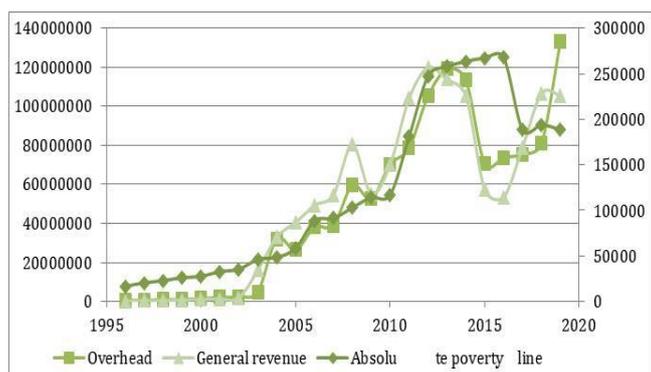


Figure (2): Development of public revenues and expenditures and the absolute poverty line in Iraq for the period (1996-2019)

Source: From the researcher's work based on the data of Table (1)

Figure (2) shows that public revenues and expenditures are linked directly to the poverty line in most years of research, and this contradicts the logic of economic theory. It is assumed that increasing public revenues leads to an increase in public expenditures in a particular country and thus limits the phenomenon of poverty, as for the Iraqi economy and during the period (1996-2004), The increase in public revenues and public expenditures has exacerbated the problem of poverty in the Iraqi economy, and this is due to a number of reasons, including internal financial policies that are not considered by the government and which did not take into account the standard of living of individuals. As for the external

reasons, it is the economic blockade imposed on Iraq as well as the US occupation in 2003. All these factors pushed to exacerbate the phenomenon of poverty in the Iraqi economy. As for the year (2005), the relationship between public expenditures and the absolute poverty line has witnessed a decrease in public expenditures amounting to (26375275) million dinars, while the absolute poverty line witnessed an increase as it reached (58436) and this matches the logic of economic theory because reducing public expenditures means withholding Part of the income that was allocated to poor individuals, and therefore it is evident that the poverty line will increase and the phenomenon of poverty in the country will worsen, As for the period (2006-2013), public expenditures witnessed a fluctuation in the rates of increase, which reflected negatively on poverty rates, as it is noticed that despite the large financial budgets approved during this period and the large increase in revenues from oil revenues as a result of high oil prices, this period An increase in the number of the poor and an increase in poverty rates, and this is due to the great confusion in the work of the fiscal policy in terms of public spending, which generated a waste of financial resources and an increase in the number of the poor, As for the period (2014-2019) and the security, political and economic repercussions this stage witnessed, pervading the path of public expenditures, which greatly affected the high rates of poverty in Iraq. (2014-2017), which reflected negatively on the disparity in income distribution and the spread of poverty in Iraq. As for the compound growth rate for the period (1996-2019) for public revenues reached (31.99%), for public expenditures it reached (27.03%), while the average annual rate of change for the same period for public revenues reached (54.80%). The average rate of annual change for public expenditures was (54.80%) For the same general period, it was (42.22%).

distribution and reduce poverty in the Iraqi economy for the period (1996-2019)

The focus will be on the broad money supply variable (M2) as one of the monetary policy tools that affects the disparity in income distribution and poverty in the Iraqi economy, because the money supply from the amount of money affects

the general level of prices and thus it affects economic inflation, which is reflected in the nature of inequality. In the distribution of income among individuals and on the percentage and severity of poverty and the number of poor, and Table (2) shows the evolution of the money supply (M2) and its reflection on the disparity in

income distribution on the one hand and the poverty line on the other hand for the period (1996-2019) in the Iraqi economy.

Table (2): The evolution of the wide money supply (M2) and its impact on the Gini coefficient and the absolute poverty line in the Iraqi economy for the period (1996-2019) (million dinars)

the years	Gini coefficient	Absolute poverty line	Wide money supply (M2)	Annual change rate of money supply%
1996	0.49	16802	1084172
1997	0.51	20513	1242569	14.610
1998	0.54	22944	1646240	32.487
1999	0.55	26141	1857406	12.827
2000	0.57	27637	2214072	19.202
2001	0.58	32880	2838045	28.182
2002	0.59	35385	3852241	35.736
2003	0.35	46209	4021847	4.403
2004	0.41	48530	12254000	204.686
2005	0.42	58436	14684000	19.830
2006	0.38	88620	21080000	43.558
2007	0.30	91411	26956076	27.875
2008	0.31	103020	34919675	29.543
2009	0.32	114173	45437918	30.121
2010	0.32	117116	60386086	32.898
2011	0.29	180700	72177951	19.527
2012	0.29	247400	75466360	4.556
2013	0.27	257859	87679504	16.184
2014	0.25	263641	90727801	3.477
2015	0.23	267436	82595493	(8.963)
2016	0.24	267616	88081993	6.643
2017	0.27	188470	89441338	1.543
2018	0.29	193891	92105401	2.979
2019	0.31	188831	10310412 2	11.94
Duration	Average annual rate of change%	Compound growth rate%		
	Wide criticism offer	Wide criticism offer		
1996-2019	24.74	21.90		

- Ministry of Planning, Central Bureau of Statistics, Directorate of National Accounts.
- Annual change rates and compound growth from the researcher's work, the values are in negative parentheses.

Source:

- Ministry of Finance, Economic Department, general budget tables.

Through Table (2), which shows the nature of the relationship between the money supply (M2) and

the disparity in income distribution among individuals, and with the help of Chart (3) below, which includes the evolution of the wide money supply (M2) and the Gini coefficient in Iraq for the period (1996-2019).

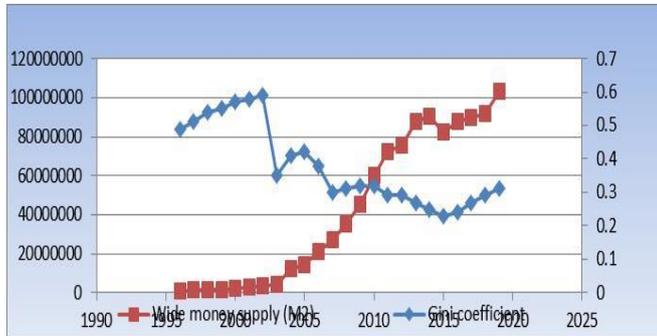


Figure (3): Evolution of the Wide Money Supply (M2) and the Gini Coefficient in Iraq for the period (1996-2019)

Source: From the researcher's work based on the data contained in Table (2)

It is evident that the relationship between the money supply (M2) and the Gini coefficient, which represents the degree of disparity in the distribution of income between individuals during the research period, witnessed a fluctuating relationship the same as most economic variables whose analysis was related to the disparity in income distribution between individuals during the research period as it is observed during the period (1996- 2002) that the relationship between the wide money supply (M2) and the Gini coefficient is a direct one, meaning that the increase in the money supply in the economy pushed an increase in the rates of inequality in the distribution of income between individuals, In (2002) the wide money supply (M2) reached (3852241) million dinars, achieving an increase at a positive annual rate of change of (35.736%). This increase was negatively reflected in the rates of disparity in income distribution (Gini coefficient), as the value of the Gini coefficient reached for the same year. (0.59) achieving an increase over the previous year, in economic terms, the interpretation of this case means that the increase in the money supply led to a decrease in the purchasing power of money and thus the real income of individuals decreased, which affected the increase in the degree of inequality in

the distribution of income among individuals during this period, not to mention the circumstances. That the Iraqi economy went through during this period. The period (2003-2014) witnessed an expansionary monetary policy, as the money supply (M2) witnessed successive increases with positive growth rates and different rates of change. This increase was reflected positively on the Gini coefficient, as the Gini coefficient decreased for the same year, reaching (0.25). Despite the conditions that Iraq went through from the control of ISIS gangs, we find that the Gini coefficient decreased in (2015) to its lowest level during the research period, reaching (0.23), while the money supply witnessed a decline for the same year as it reached (82595493) and at a rate of change A negative annual amount of (8.963%), and this decline in the rates of money supply is a result of the scarcity of resources coming to the state as a result of the terrorist gangs controlling some provinces in Iraq. As for the period (2016-2019), an expansionary monetary policy was matched by an increase in the inequality rates in the distribution of incomes as a result of the devaluation of the local currency as a result of the expansionary policies that were not studied by the monetary authorities, which greatly affected the standard of living of individuals. Poverty is not much different from the previous analysis, so it is noted from Figure (4), which shows the evolution of the wide money supply (M2) and its connection to the absolute poverty line for the period (1996-2019):

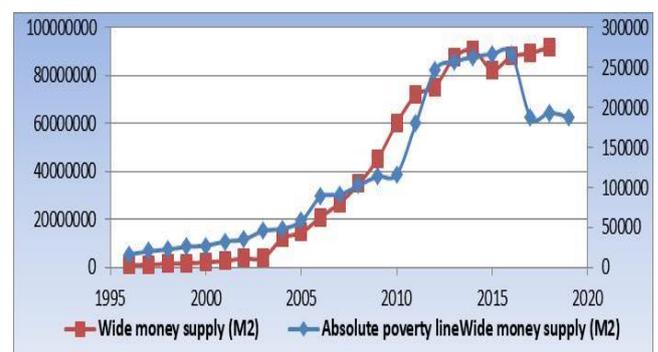


Figure (4): Evolution of the Wide Money Supply (M2) and the absolute poverty line in Iraq for the period (1996-2019)

Source: From the researcher's work based on the data contained in Table (2)

That the relationship of money supply (M2) and its expansion is directly related to the poverty line for the period (1996-2014). The increase in money supply (M2) increases the number of poor people in Iraq, and therefore it is concluded from the nature of this relationship that the expansionary monetary policy and for the above period did not address the problems and effects of poverty in The Iraqi economy, and the theorists of the idea of monetary expansion (expansionary monetary policy) in the Iraqi economy would create opportunities for investment and thus provide job opportunities and reduce unemployment rates did not meet with success because the investment climate in Iraq is not appropriate and therefore the monetary expansion instead of addressing the phenomenon Poverty in Iraq deepened its effects during this period, As for the period (2015-2019), there has been a clear fluctuation between the wide money supply (M2) and the absolute poverty line in the Iraqi economy. As for the compound growth rate for the period (1996-2019) for the broad money supply (M2), it reached (21.90%), and the average annual rate of change was (24.74%).

Third: Macroeconomic policies (monetary and financial) and their reflection on economic growth in the economy Iraqi for the period (1996-2019)

The conditions that Iraq went through are exceptional as a result of the military wars that destroyed the infrastructure and thus affected the process of economic and human development in addition to the fact that Iraq in 2003 witnessed a change in the political and economic system, as it transformed from a comprehensive planning system to a market mechanism system, and this change brought about a series of changes to The economic, social and political level in the country, and among the most important changes was the

Central Bank gaining its independence and that the role of macro policies in influencing economic growth in Iraq is the role of both fiscal and monetary policy and the nature of their impact on economic growth, directly or indirectly, which is evident in the following :

1- Fiscal policy and its reflection on economic growth in Iraq for the period (1996-2019):

The relationship between fiscal policy and economic growth rates is a direct relationship because economic growth depends on revenues for the state’s public budget, especially that public spending represents a large and important part of the components of effective demand and therefore affects the size of economic activity in order to achieve public benefits, and the focus will be on total public expenditures. And public revenues and their degree of development and their relationship to economic growth during the research period, In other words, focus on the structure of the public budget (revenues and expenditures) and its reflection on economic growth for the period (1996-2019). The effect of fiscal policy in the Iraqi economy on economic growth lies in determining the effect of fiscal policy (public expenditures and public revenues) on the development of economic growth. (Average per capita gross domestic product) or not in the Iraqi economy, and Table (3) shows the development of public expenditures and public revenues and their growth rates as well as the average per capita gross domestic product, which considers women reflective of the role of fiscal policy as part of government policies in influencing Evolving economic growth.

Table (3): Development of public expenditures, public revenues and average per capita GDP in the Iraqi economy for the period (1996-2019) (million dinars)

the years	Average GDP per capita	Annual percentage change%	Overhead	Annual percentage change%	General revenue	Annual percentage change %	Deficit or surplus
1996	2363.25	542541	178013	-	(364528)
1997	2746.51	13.95	605802	11.66	410537	130.6	(195265)
1998	3597.44	23.65	920501	51.94	520430	26.7	(400071)
1999	4109.59	12.46	1033552	12.28	719065	38.1	(314487)
2000	4669.87	11.99	1498700	45.00	1133034	57.5	(365666))
2001	4620.67	(1.06)	2069727	38.10	1289246	13.7	(780481))

2002	4125.52	(12.00)	2518285	21.67	1971125	52.8	(547160)
2003	2542.80	(62.24)	4901961	94.65	15985527	710	11083566
2004	3752.63	32.23	32117491	555.19	32982739	106.3	865248
2005	3703.15	(1.33)	26375275	(17.87)	40502890	22.8	14127615
2006	3796.88	2.46	38076795	44.36	49232349	21.5	11155554
2007	3754.99	(1.11)	39031232	2.50	54599451	10.9	15568219
2008	3944.91	4.81	59403375	52.19	80252182	46.9	20848807
2009	3938.24	(0.16)	52567025	(11.50)	55209353	(31.2)	2642328
2010	4095.26	3.83	70134201	33.41	70178223	27.1	44022
2011	4312.65	5.04	78757666	12.29	103989089	48.18	25231423
2012	4820.96	10.54	105139576	33.49	119817224	15.22	14677648
2013	5101.04	5.49	119127556	13.30	113840076	(4.9)	(5287480)
2014	4993.58	(2.15)	113473517	(4.74)	105386623	(7.43)	(8086894)
2015	4817.35	(3.66)	70397515	(37.96)	57215315	(45.71)	(13182200)
2016	5515.13	12.65	73571000	4.50	53413445	(6.64)	(20157555)
2017	5426.26	(1.64)	75490200	2.60	79011421	47.92	3521221
2018	5380.58	(0.85)	80873200	7.17	106569833	34.88	25696633
2019	5412.75	0.59	133107616	64.58	105569686	(0.94)	(27537930)
Duration	Average annual rate of change%		Compound growth rate%				
	Revenues	Overhead	General revenue		Overhead		
2019- 1996	54.80	42.22	31.99%		%27.03		

Source:

- Ministry of Finance, Economic Department, general budget tables.
- Ministry of Planning, Central Bureau of Statistics, Directorate of National Accounts.
- Values in parentheses are negative.

From Table (3) it appears that public expenditures witnessed a significant increase during the period (1996-2002), as this period witnessed the application of the ration card system and the Memorandum of Understanding (the oil-for-food program) as the ration card provided many of the necessary and basic food items for the Iraqi individual as well as an increase The subsidy provided by the state for foodstuffs, all these factors and others led to an increase in public expenditures. In (2000) public expenditures reached (1498700) million dinars, while public revenues achieved (1133034) million dinars and a deficit of (365666-) million dinars, which generated effects On the growth rates of the per capita gross domestic product, reaching (4669.87) and a positive annual rate of change of (11.99). This improvement is due to the increase in the support provided by the state to the ration card items for the same year despite the deficit of the general budget, As for the period (2003-2016), the third Gulf War, which ended with the occupation of Iraq by the US forces on 9/4/2003, as Iraq remained in the cycle of comprehensive

reconstruction, and this requires building comprehensive policies, whether economic, social and even political, with the aim of managing and directing the country's resources in the right direction. To improve the standard of living for individuals and reduce the continuously increasing unemployment rates, and as a natural result of the increase in public revenues in (2004) from the sale of oil, it is noticed that the growth rate of the gross domestic product achieved positive growth, reaching (32.23%), and public expenditures increased for several reasons, including an increase Salaries and an increase in the number of workers in state agencies, The subsequent years witnessed the achievement of financial surpluses despite the increase in the volume of public spending, which amounted to (52567025) million dinars in (2009), and this financial surplus reflected positively on the average per capita share as it reached (3938.24) million dinars, while in 2013 the budget was achieved The public deficit amounted to (5287480) million dinars as a result of the drop in oil prices for the same year. Consequently, public revenues decreased compared to public expenditures. In the year (2014), after the events that Iraq went through due to the control of ISIS gangs over some governorates of Iraq, it is noticed that public expenditures have decreased significantly due to the drop in oil prices, which greatly affected the

state budget and the average per capita gross domestic product, as it witnessed a clear decline in its growth rate. The fluctuating relationship between fiscal policy (public expenditures and public revenues) on the one hand and economic growth rates represented by the average per capita gross domestic product in Iraq for the period (2015-2019) on the other hand continued, and you can use the chart (5) that shows the fluctuating relationship between the policy Finance (public expenditures and public revenues) on the one hand and economic growth in the Iraqi economy (average per capita gross domestic product) on the other hand:

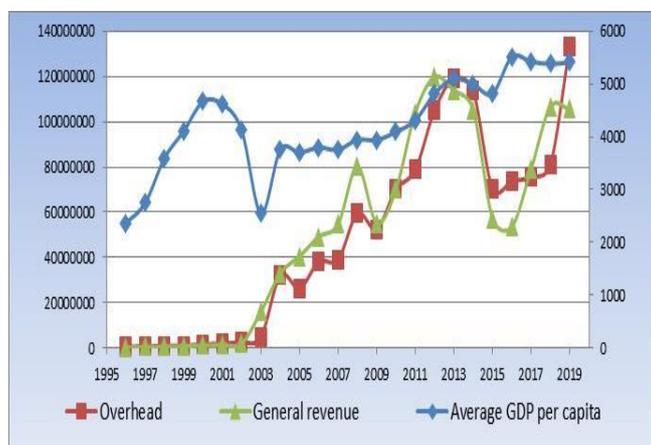


Figure (5): Evolution of average per capita GDP, public revenues and public expenditures in the Iraqi economy for the period (1996-2019)

Source: From the researcher's work based on the data of Table (3)

From the foregoing, the nature of the relationship between fiscal policy and its reflection on economic growth in Iraq for the period (1996-2019) can be summed up with some features and characteristics that have greatly affected the average per capita gross domestic product and its annual growth rates, and among these features are the large financial surpluses in the budgets. The successive fiscal period during the research period, however, this is not considered a good indication of the improvement of the economic activity in the country from an economic point of view. In other words, the failure to develop vital economic sectors in the national economy has made the Iraqi economy unilaterally dependent, and therefore it depends in financing the general

budget on resources from the sale of oil and mainly based on the price of a barrel of oil, meaning that the rates of economic growth are mainly caused by high rates of oil exports. And increase the financial revenues derived from its sale. Among the other characteristics that have affected the path of economic growth in Iraq are waste and embezzlement as a result of financial and administrative corruption, which is the hallmark of the stage of implementing the general budget and its massive allocations, and thus Iraq has come to occupy advanced positions in the corruption perceptions indicators issued by Transparency International, as well as not investing financial surpluses. Large volumes of explosive budgets through the establishment of a sovereign fund in which oil surpluses are invested in cases of deficit and facing emergency crises that may face the country in the future.

2- Monetary policy and its reflection on economic growth in Iraq for the period (1996-2019):

The goals of monetary policy are similar, whether the country is developed or developing, and that achieving an increase in the gross domestic product and developing economic growth are among the goals that all countries seek, regardless of the nature of the prevailing economic system, as monetary policy seeks through its direct and indirect monetary tools to achieve monetary stability. Maintaining liquidity that guarantees the monetary balance in the economy as well as its pursuit of high economic growth rates in all economic sectors through changes in the amount of money supply and demand, and the money supply is closely related to inflation, meaning that inflation when it is within acceptable limits generates positive effects on the country's economic growth (Ahmed and Hama, 2019: 209). The money supply in the broad sense (M2) is considered one of the important monetary indicators that reflect the nature of economic activity in any country. Therefore, the focus has been on the money supply index (M2) as one of the important indicators in the work of monetary policy in Iraq, which reflects the impact of monetary policy action and measures on economic growth. In Iraq, Table (4) shows the evolution of monetary policy (the wide money supply M2)

during the period (1996-2019) taking an upward trend and with different rates of change.

the Iraqi economy for the period (1996-2019) (million dinars)

Table (4): The evolution of the wide money supply (M2) and the average per capita GDP in

the years	Average per capita GDP	Annual percentage change %	Wide money supply (M2)	Annual rate of change For money supply%
1996	2363.25	1084172	-
1997	2746.51	13.95	1242569	14.610
1998	3597.44	23.65	1646240	32.487
1999	4109.59	12.46	1857406	12.827
2000	4669.87	11.99	2214072	19.202
2001	4620.67	(1.06)	2838045	28.182
2002	4125.52	(12.00)	3852241	35.736
2003	2542.80	(62.24)	4021847	4.403
2004	3752.63	32.23	12254000	204.686
2005	3703.15	(1.33)	14684000	19.830
2006	3796.88	2.46	21080000	43.558
2007	3754.99	(1.11)	26956076	27.875
2008	3944.91	4.81	34919675	29.543
2009	3938.24	(0.16)	45437918	30.121
2010	4095.26	3.83	60386086	32.898
2011	4312.65	5.04	72177951	19.527
2012	4820.96	10.54	75466360	4.556
2013	5101.04	5.49	87679504	16.184
2014	4993.58	(2.15)	90727801	3.477
2015	4817.35	(3.66)	82595493	(8.963)
2016	5515.13	12.65	88081993	6.643
2017	5426.26	(1.64)	89441338	1.543
2018	5380.58	(0.85)	92105401	2.979
2019	5412.75	0.59	103104122	11.94

Source:

- Ministry of Finance, Economic Department, general budget tables.
- Ministry of Planning, Central Bureau of Statistics, Directorate of National Accounts.
- Values in parentheses are negative

It is noticed that the money supply (M2) increased in 1997, reaching (1242569) million dinars. The reason for this increase may be due to the direct effects generated by the Memorandum of Understanding (oil for food and medicine) and resulted in positive economic developments, most notably the financial reforms. And banking in the form of reducing and limiting government spending in order to reduce the amount of inflation that raged in the Iraqi economy during that period, As for the period after the year (2003), changes have occurred in the monetary policy indicators as a result of the procedures and policies followed, the most important of which

was the issuance of the Special Law No. (56) for the year (2004) according to which the Central Bank granted its independence in the exercise of its functions as well as the foreign currency auction that started 4 years ago. / 10/2003, according to which the Central Bank sells the dollar in the manner of daily auctions in order to maintain a stable exchange rate for the Iraqi dinar, and accordingly the policies applied by the Central Bank to control the money supply and reduce inflation caused a delusion to the average per capita gross domestic product, in a different way between high and low It is noticeable that the money supply witnessed an increase in (2004) when it reached (12,254,000) million dinars, and this is due to the exchange of the Iraqi currency after the issuance of the new Central Bank Law No. (56) for the year (2004) (Al-Janabi and Mutair, 2015: 124), which gave rise to Positive for the average per capita gross domestic product, as it reached (3752.63) million dinars for the same

year, and the money supply declined in (2015), reaching (82595493) million dinars, and this is due to the difficulties faced by the monetary policy, which is represented by the lack of oil revenues as a result of lower prices Oil for the same year as well as the financial depletion as a result of the military operations to confront the terrorist gangs ISIS, and consequently, this decrease affected the average per capita GDP in a negative way, as it reached (4817.35) million dinars, As for the period (2016-2018), the money supply (M2) witnessed an increase, as it amounted to (92105401) million dinars in the year (2018) and reflected negatively on the average per capita gross domestic product, reaching (5380.58) with a negative annual rate of change of (0.85). -%).

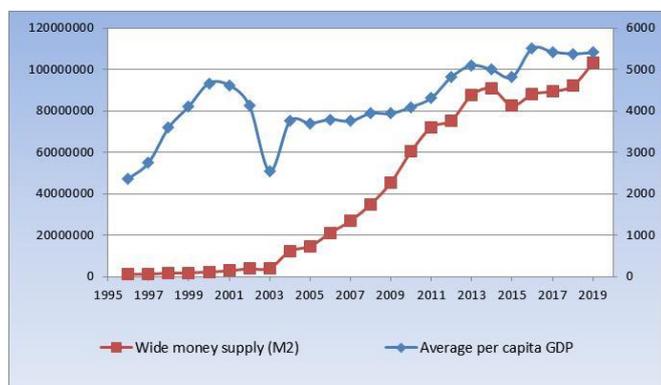


Figure (6): Evolution of the average per capita GDP and money supply (M2) in the Iraqi economy for the period (1996-2019)

Source: From the researcher's work based on the data of Table (4)

The third axis: conclusions and recommendations

First: Conclusions: The research concludes with a set of conclusions, the most important of which are the following:

1. Verify the research hypothesis, which states that the economic and political shocks that the Iraqi economy faced during the period of research (1996-2019), which accumulated from the financial and monetary burdens, was the reason behind the inefficiency in the performance of monetary and financial policy work, which was negatively reflected in the disparity in income distribution Individuals and increased poverty

rates in Iraq, which reduced the positive impact of macroeconomic policy work on economic growth.

2. The relationship between the money supply (M2) and the Gini coefficient, which represents the degree of disparity in the distribution of incomes between individuals during the research period. The increase in the money supply in the economy prompted an increase in the rates of inequality in the distribution of income between individuals and from the economic point of view, the explanation of this case means that the increase in the money supply led to a decrease in the purchasing power of money and thus the real income of individuals decreased, which affected the increase in the degree of disparity in the distribution of income between Individuals, not to mention the circumstances that the Iraqi economy went through during this period, As for the period (2016-2019), an expansionary monetary policy was matched by an increase in inequality in the distribution of incomes as a result of the devaluation of the local currency as a result of the expansionary policies that were not studied by the monetary authorities, which greatly affected the standard of living of individuals.

3. During the period (1996-2019) the Iraqi economy witnessed an increase in revenues and public expenditures, and that these increases did not address the problem of poverty in the Iraqi economy, and this is due to a number of reasons, including internal financial policies that are not considered by the government, which did not take into account the standard of living of individuals and the reasons for External represented by the economic blockade imposed on Iraq as well as the US occupation in (2003) all of these factors pushed to exacerbate the phenomenon of poverty in the Iraqi economy, and it is noticed that the revenues and public expenditures are related to a positive relationship with the poverty line in most years of research and this contradicts the logic of economic theory, so it is assumed that Increasing public revenues leads to an increase in public expenditures in a particular country and thus reduces poverty.

4. The money supply relationship (M2) and its expansion is related to a direct relationship with the poverty line for the period (1996-2014). The

increase in money supply (M2) increases the number of poor people in Iraq, and thus it is concluded from the nature of this relationship that the expansionary monetary policy did not address the problems and effects of poverty in the economy. As for the period (2015-2019), it witnessed a clear fluctuation between the wide money supply (M2) and the absolute poverty line in the Iraqi economy as a result of the circumstances that the country went through during this period.

Second: Recommendations:

1. Restructuring the tools of macroeconomic policies, especially public expenditures, with the aim of supporting the poor by providing social services such as education and health, as well as social security networks for the purpose of developing human capital and at the same time achieving economic development for the country to reduce the effects of economic fluctuations and shocks that the country is exposed to and that affect On the level of per capita income, especially the poor.

2. Establishing appropriate measures by the monetary policy to control fluctuations in the exchange rate, because these fluctuations in currency rates lose the citizen's confidence in the work of monetary policy from one side and that part of his real income is deducted indirectly from the other side, which is economically considered the true face. For the individual's well-being or lack thereof in any society, and therefore the Central Bank of Iraq, as a representative of the monetary policy in the country, must put in place appropriate measures to reduce these fluctuations that occur from time to time and which are reflected negatively on the citizen. The best example is what happened recently in the year 2021 of high The exchange rate, which greatly affected the poor strata of Iraqi society.

3. Activating the role of fiscal policy tools in reducing the level of inequality in income distribution by relying on progressive direct taxes that deduct part of the income of the higher classes in order to provide support and assistance to the poor groups within the framework of transfer expenditures and this would contribute to

the redistribution of income for the benefit of people Limited income and the poor in society.

4. Carrying out radical reforms in the financial and monetary sectors with the aim of achieving financial and monetary stability, which brings political stability if the appropriate environment is available for it, and this is reflected on individuals through improving their monetary income and reduces poverty and reduces the disparity in income distribution, which in turn affects the rates of economic growth Positively.

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