



ANALYZING OF MEASURING THE IMPACT OF THE EXCHANGE RATE AND PUBLIC EXPENDITURE ON THE STAGFLATION OF IRAQ FOR PERIOD 2004-2020

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Abstract

Exchange rate and public expenditures policies are critical to supporting successful partial reforms in terms of monetary and financial policy during the year 2004-2020. Even in the absence of continuing structural changes and control over unproductive spending, these reforms are effective and influential in the structure of the economy. In relation to stagflation of Iraq's economy that does not meet the most basic development needs, it is considered a harmful policy. Iraq's economy is suffering from several structural problems, the most obvious of which are an imbalance in the country's overall budget, inflation, stagflation and an increase in the country's public debt index. Vulnerable Iraqis' purchasing power is being eroded by rising prices for key basic goods. Over the previous two years of pandemic, wage rates have not been updated. The rising costs of imported goods will negate any gains from an increase in the price of oil. The slow pace of economic expansion, raising the possibility of stagflation. These problems are a direct result of structural flaws in the country's economic structure. Even if currency exchange rates don't have a direct role in activating economic failures, they do play a part in activating such failures by imposing negative impacts on the actuality of those indicators. It has been concluded that adopting a policy of reducing the Iraqi dinar has had little effect because of a lack of complete adaptation in Iraq's economy. In this study, the influence of Iraq's government expenditure structure on unemployment and inflation will be explored by balance consumption and investment. Iraq's economy has been disrupted in the allocation of investment and consumption expenditures during 2004-2020 era, with consumer expenditures accounting for a bigger share than investment expenditures, according to the results of this research, which are based on a variety of data. Finally, the goal of this study is to offer some suggestions.

Keywords: Indicators of Stability, Gross Domestic Product (GDP), Payments Balance, Public Debt, and the Effect of the Exchange Rate on the Exchange Rate

1. INTRODUCTION

In addition to having an abundance of natural resources like oil and gas, Iraq also offers a temperate climate, fertile soil, and irrigation-ready water. There are several economic resources that can indicate a contemporary economy, including human and mineral wealth, if they are properly managed and exploited. These capacities have been severely hampered by the terrible circumstances that have occurred in Iraq. There are numerous scenarios depicting wars and economic blockades in the midst of financial crises and global events, even though many of these capabilities have been discontinued (Ma, 2021). Because of the transition from a socialist to a market-based economy, they had a paralyzing impact on Iraq's economic capacity and became obstacles to economic movement and the implementation of economic plans.. The study examines a wide range of economic stability indicators, and it sees this as a basic problem. Iraq's post-2003 economic turbulence, which caused fluctuating exchange rates, is to blame for its severity. Because of its key role in correcting and altering the balance of payments, this study is essential for financial policies. To pay back domestic debt and take advantage of widespread price rises and local currency devaluations. In this study, the influence of Iraq's

government expenditure structure on unemployment and inflation will be explored. This piece of paper does precisely what it's supposed to do when it comes to developing a robust and sustainable economy: balance consumption and investment. Iraq's economy has been disrupted in the allocation of investment and consumption expenditures, with consumer expenditures accounting for a bigger share than investment expenditures, according to the results of this research, which are based on a variety of data. Ultimately, the aim of this paper is to offer some advice (Abbas, 2016).

2. METHODOLOGY

Extrapolation was used as a descriptive-analytical approach for determining the impact that stagflation would have on the Iraqi economy's exchange rate and state expenditures. There are a number of factors that can have an impact on Iraq's economy, including the lowering or raising of domestic prices, the maintenance of a stable balance of payments, and the control of inflation and public spending. The findings indicate that one of the most important considerations in preserving a robust equilibrium in international trade is the currency exchange rate. How the impact of stagflation, currency rates, and governmental expenditures, as well as stagflation itself, will work to affect Iraq's economy between the years 2004 and 2020 (Abdul-Rahman, 2020).

2.1. Iraq's economy exchange rate and public expenditure

For internal payments, each country uses its currency as a representation of the process of exchanging several currencies. Using foreign currencies becomes necessary, this pricing is a way to settle international transactions by exchanging one currency for another, so purchasing any product doesn't take place in local currency but rather by assessing its value concerning other currencies

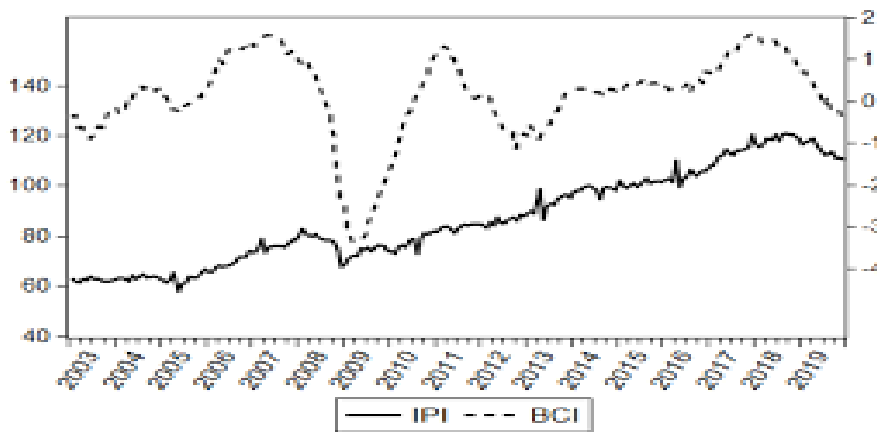


Figure 1: The Exchange Rate Impact on Iraq Economy

Source: (Al-Alaq, 2020).

The number of national currency units required to purchase one foreign currency unit, or the other way around, is how many different ways the exchange rate may be stated. Alternatively, the number of units needed to exchange from one currency to another is referred to as the exchange rate (Al-Alwani, 2009). The price of the health rack serves as a link between the home economy's prices for goods and the worldwide market's commodities prices. Because of this, the world and local prices are linked to the SM's price for health racks.

In Iraq, public expenditure has increased since 2003 and after it, regardless of whether it serves the public sector or the private sector (by moving the market wheel etc.). This is due to the rise

in global oil prices during the research period, as well as the rebuilding of Iraq's infrastructure. However, there were economic and political circumstances, in addition to other obstacles, which were forced on Iraq and hindered the country from achieving the predetermined goals of public expenditure (Al-Atrash, 2005).

2.1.1. Exchange rate importance for Iraq economic balance

When it comes to achieving macroeconomic goals, such as price stability and economic growth, the exchange rate plays a critical role. It also plays a role in keeping the external and internal economic balances in balance. Exchange rate research tries to find ways and methods to stabilize the Iraq's national currency exchange rate with other currencies. For this reason, the exchange rate plays a significant part in Iraq's external economic activities, whether commercial or investment-related. It acts both as a measuring stick for Iraq's economic competitiveness and as a linking mechanism for Iraq's economy and its connections with other countries. (Al-Bakhit and Al-Enezi, 2011).

2.1.2. Stagflation role

Economic stagflation refers to a condition in which output is stagnating and prices rise at a high rate. Cost-push inflation is to blame for stagflation. An example of cost-push inflation is when an external factor or circumstance pushes up production costs. A lack of natural resources or an act of war, for example, could be the direct result of government actions (such as taxation). Staggered economic growth, high unemployment, and excessive inflation are all characteristics of Stagflation. An unnatural scenario exists since inflation is not meant to arise in an economy that is already experiencing economic difficulties. In a market economy, inflation is prevented via moderate growth. As a result, demand from consumers declines sufficiently to prevent an increase in prices (Al-Dagher, 2018).

2.1.3. Operational costs in Iraq's commercial and investment sectors

Consider both the operational costs of doing business in Iraq's commercial sector and the investment costs throughout the period of 2004-2020. The structure of public expenditure is well-known in Iraq, and there is a case of significant variation between both sides of expenditure (current and investment) in this country. This variation occurs because the majority of public expenditure is spent on consumption current expenditures, which comes at the expense of investment expenditures (Al-Dulaimi, 2011). In point of fact, the significant disparity that exists between the two halves of expenditures in favor of current expenditure is incompatible with the possibility of achieving high growth rates, particularly under the conditions of reconstruction, in addition to meeting the requirements for development and maintaining economic stability. The rise in current expenditures need to be sufficient to meet the growing overall consumer demand, even if this comes at the expense of a reduction in the amount of money earmarked for investment expenditures and, for the purpose of analysis, public expenditures (current and investment) (Al-Enezi, 2018). The operational expenditures took up a favored position within the overall public expenditures, and the reason for this can be traced back to the fact that the public sector was significantly more interested in the topic during this time period than the private sector was. An example of a consumer expenditure is the operating expenditure. It is important to note that Iraq does not possess flexibility in its productive apparatus as a result of the destruction caused by wars and the economic blockade that was imposed on Iraq. Because of these factors, which disrupt the productive apparatus and cause an increase in consumer expenditures, Iraq does not possess flexibility.

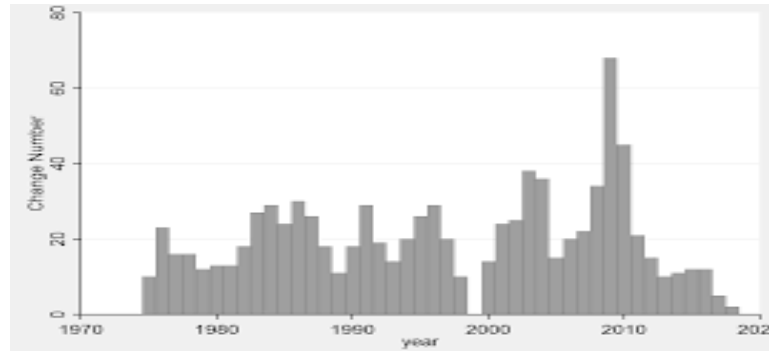


Figure 2: Operational costs rate's in Iraq till 2020

Source: (Al-Fahdawi and Al-Zobaie, 2021).

2.2. After-2003; indicators of economic stability in Iraq

As most economists agree, Iraq's economy has entered a state of economic crisis, marked by decreased investment, rising unemployment, declining industrial production, falling savings, and an increase in people's desire to maintain their current standard of living, all of which have contributed to a deterioration of the country's financial situation. With the reduction in Iraq's population index ratio (which represents 9.1 percent of the Arab countries' total population), despite Iraq's superiority to other Arab countries in terms of arable land and water resources (Al-Ghazali, 2003). According to data issued by the Ministry of Planning's social and economic survey of Iraqi families, unemployment fell to around 11.9 percent by the end of 2012 as a result of lower oil prices and freer economic conditions. An effort is required that goes beyond just economics and focuses on the political and social aspects of Iraq's economy when assessing its features. It is crucial to keep an eye on these indicators:

2.2.1. Gross domestic product

One of the most important measures of a country's economic health is its gross domestic product (GDP), which provides a comprehensive picture of the economy's strength and imbalances, as well as recommendations on how to correct them. Investment, commerce, agricultural and industrial production as well as stock market activity are all regarded as worldwide indicators for maintaining economic stability in the world. Iraq's GDP has varied as a result of the wars and economic sanctions imposed during the invasion of Kuwait in 1990 (Ali, 2013). Changing international oil prices and inefficient financial practices, as well as the subsequent turbulence of the security situation following the 2003 change, have resulted in fluctuating oil revenues. As a result of Iraq's most significant changes in GDP, this product has a disproportion between economic sectors that has led to an obvious deficit in all industries' productive capacities. In other words, it has effected Iraq's economy in many ways including exchange rate policies, stagflation rate for public expenditures.

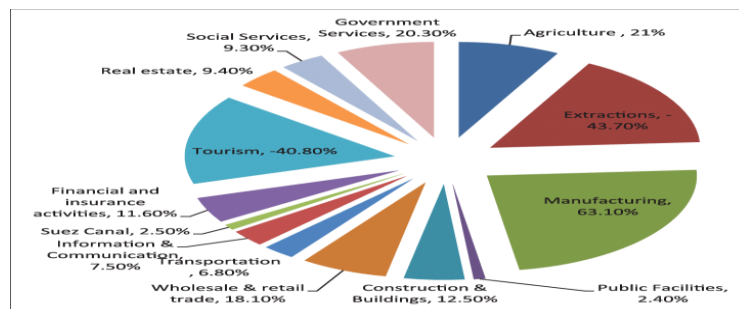


Figure 3: GDP in Iraq

Source: (Al-Janabi, 2015).

2.2.2. Stagflation period in Iraq's economy during the year 2004-2020

The stagflation rate in the Iraqi economy during the stated period was marked by volatility; at times, it rose to levels that were unsustainable, and at other times, it fell to levels that were more manageable. On the basis of this, stagflation in Iraq during the study period can be split into two distinct time periods. The first one is the time of significant price increases (2004-2020). This new pattern in the acceleration of stagflation pressures can be traced back to a number of factors, the most important of which is the pressure exerted by aggregate demand, which has significantly contributed to the maximization of the risks of inflation caused by the withdrawal of expenditures across the board, particularly consumer government expenditures (with the inefficiencies of large productive sectors, particularly in the field of agricultural and industrial activity). In addition to the economic, political, and security upheavals that occurred after the war, structural flaws have persisted as a result of the underdevelopment that has occurred within the economic structure. This has led to an increase in the reliance on imports as well as an exacerbation of the country's external indebtedness.

Stagflation reached roughly 33.6 percent in 2004 before experiencing a minor dip in 2007 and hitting 27.0 percent. This is indicated by the fact that stagflation reached this level. When that, it continued to expand at a rapid pace until it reached its maximum point in 2012, when it reached 53.1 percent. This was due to the rising costs of oil derivatives, which occurred after the government decreased its support for the industry.

2.2.3. Unemployment rate due to stagflation in Iraq's economic structure

According to the statistical projections, the magnitude of the unemployment problem in Iraq is significant. There is no question that the private sector, which is labor-intensive and suffers from a problem with underemployment, cannot afford to provide an additional opportunity job on its own, while the public sector cannot. Due to the fact that the domestic private sector is so weak, the government has a difficult time discovering suitable employment opportunities with which to deal with the issue of unemployment. The most notable feature of the Iraqi labor market is the high of display's growth rate from work as a result of the high rates of population growth and labor force under the slow of demand growth for work which results from several factors, most notably, the ability to increase the aggregate supply tailored to the total effective demand, consequently, growth in import volumes by more than export. This is the most prominent feature of the Iraqi labor market. This results in a decrease in chances for investment and capital formation, and it is a direct outcome of the exit of foreign currency. This has the impact of raising the obstacles that the Iraqi economy must face in order to direct economic operations in the areas that would ultimately achieve economic stability and determination. (Al-Rawi, 2019).

2.2.4. Public expenditure impact on unemployment in Iraq during the year 2004-2020

Public expenditure has been rising gradually over a long period of time despite the fact that it has varied from year to year. This is due to the growth of the government's function and its interference in a variety of aspects of everyday life. This was represented in the achievement of economic stability through a number of metrics, the most important of which were unemployment and inflation. This effect is shown when there is a rise in the amount spent by the government. Public expenditure was low in 2004, totaling 1982548 billion dinar, while unemployment was at its highest rate in the same year, reaching 28.10 percent. The rate of inflation was likewise 33.61 percent in 2006. As a result, the rate of unemployment and inflation falls to various levels.

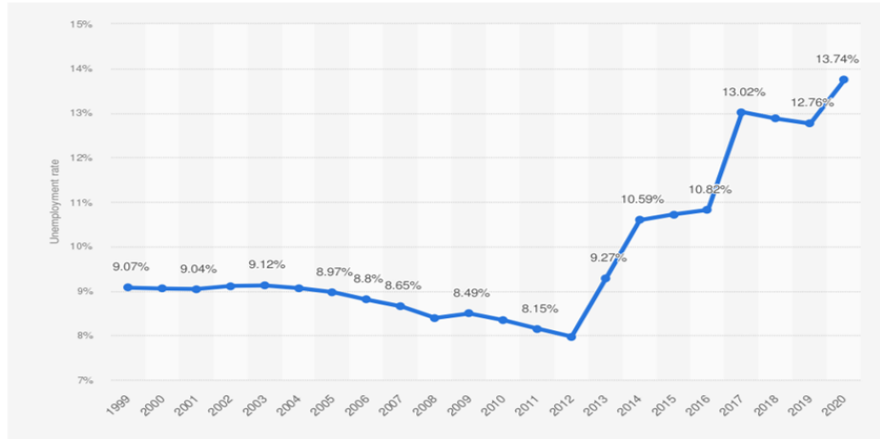


Figure 4: Iraq unemployment %

Source: (Al-Subaihi, 2021).

Several factors contribute to the imbalance in the balance of payments, the most significant of which are: As inflation rates rose after 2003, domestic goods became cheaper due to the Iraqi economy's crisis and policies of the economic siege, resulting in a foundation of fragile productivity that cannot compete with the efficiency and price of international products. As a result, imports rose while exports fell.

An unsuccessful rate policy was established by the Central Bank, which forces banks to adopt administratively determined rates. Since the beginning of 2003, it has altered interest rates multiple times, but the rise in prices has neutralized those changes and limited its ability to do so (Al-Zobaie, 2009).

2.3. Iraq economy

When oil is the only export, Iraq's economy is severely imbalanced during 2004-2020. There have been more than half a million statistical studies that have used models of global demand, but the demand for certain primary products is one that is difficult to adjust to as importers' relative increases in demand, particularly in wealthy countries where the relative increase in demand is smaller than the increase in wealthy countries' incomes, the demand for Iraq's natural resources, and so on, increase. In the face of increasingly diverse and larger imports, the Iraqi economy's rentier states and low production capacity in other sectors have had an impact on the country's export and import structures, causing the relative importance of one or two commodities to rise significantly in relation to the rest of the country's exports and the relative importance of imports to rise significantly as well (Dardouri and Al-Akhdar, 2018).

2.3.1. The Overall Financial Plan

An important source of Iraq's budgetary shortfalls and deficits has been the worsening of Iraq's public financial resources' failure to keep pace with the country's growing expenditures.

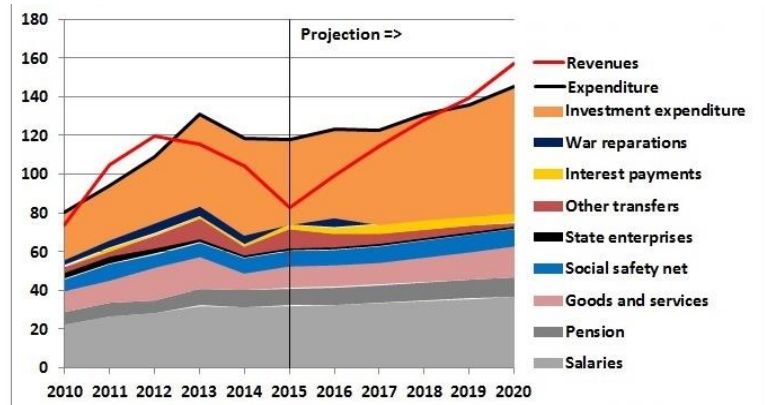


Figure 5: Financial budget of Iraq

Source: (Fadel and Khalil, 2019).

A financial surplus estimated at (11083566) was achieved in 2004, but the Iraqi government's inability to adapt to falling oil prices and the Central Bank's continued efforts to support the real economy by introducing new initiatives scuppered the country's progress during its internal wars against ISIS. Following the cancellation of the order to ban Iraqi oil exports, substantial public revenues led to the maintenance of the deficit because of the status of economic openness to Iraqi oil exports. Because of Iraq's economy's inability and inefficiency to produce enough goods to meet the country's rising demand, as well as its lack of a production base and its inability, the country's increased demand for imports as the price of oil rose and public spending and some salaries rose (-4156.6).

2.3.2. Stagflation impact on goods and services

Since Iraq was subjected to an economic embargo in the 1990s, prices and interest rates have risen sharply, and this has harmed output levels, as has the rapid expansion of Iraq's money supply during that period, as seen in 2004. Because of these factors, the inflation rate in 2004 was greater than (33 percent) due to continual pay adjustments and an increase in Central Bank cash reserves, which translates into a local currency being issued. Although it's worth noting that the rising cost of everything from energy to raw materials to intermediate materials has led to a significant increase in the cost of production, which has resulted in a price increase for final products. Since the government's economic reform policies are primarily stagflation at the beginning and contractionary policies that have made the Iraqi economy slip into a stagnant down trap due to insufficient investment and technological advances, there is a corresponding improvement in productivity. Iraq's economy began to recover from hyperinflation during this period as oil prices began to rise again, allowing the government to turn on government expenditure support (Farhan, 2014). Central Bank and other financial and monetary authorities, following a long period of rising stagflation, began keeping a close eye on the overall price level to stabilize domestic prices, as the Central Bureau of Statistics' statistical and economic indicators indicate a gradual decline in the stagflation rate (0.1).

2.3.3. Taxpayer Debt in Iraq economic period after 2004

Debts owed to others by the government, including service agencies and financial departments, are referred to as "public debt," which includes all government units included in government financial data, including the central government. Debt obligations and payment terms are usually laid out in a contract.

Public debt incurred within a country's borders is referred to as its "internal public debt". There are two types of public debt: external and internal. External public debt refers to loans that



originate outside the borders of the state and are owing to non-residents, while internal public debt refers to loans that originate inside. As a result, it is known as "external debt," which is debt issued in a foreign country and governed by a foreign court (the place of issuance and regulations that govern the debt contract). Iraq's debt trajectory, both domestically and internationally, from 2003 to 2019, is clear that Iraq's external debt was extremely high, especially by 2005 when the external debt had reached 125 billion dollars as a result of debt accrual on Iraq's economy during and in response to the Gulf War, that total external debt had decreased to 50.26 billion dollars by 2012. Another important factor in Iraq's ability to repay its debts was the Paris Club agreement, which stipulated that 80 percent of Iraq's debts would be amortized over the next five years in exchange for increased Crude oil exports and higher prices, both of which increased oil revenues and bolstered the state budget. The rate of external debt climbed to 68590.4 billion dollars by the end of 2014 due to an increase in external debts (such as the loan from the IMF), an increase in military expenditures due to the conditions of the war on terror, on the one hand, and a reduction in financial profits from exports, on the other hand. All of these factors contributed to the increase in the rate of external debt. Oil, on the other hand, was at a low price during that period, which resulted in budget imbalances and a big deficit, prompting the government to borrow money from banking institutions to fund the deficit. It has a market capitalization of 83 billion dollars.

2.4. Measurement of Exchange Rate Change's Effect on GDP, and public expenditure

When applied at the macroeconomic level, the goal is to increase the overall level of prices and stimulate exports while also controlling the rate of general price increases, microeconomic level, based on an interpretation of economic activity by individuals and institutions, producers/consumers/others by the mechanism is equally essential. As a result, the exchange rate is more than just a way to transact in one currency for another; it can also signal economic ramifications when the value of a country's currency rises or falls arbitrarily and without prior notice. Without an incubator environment, there is no way an economy can change its situation; rather, how much robustness has been achieved to influence external conditions rather than the other way around is the challenge. As a consequence of this, the adoption of the policy of raising or decreasing the exchange rate must come with the implementation of reforms and preventative measures that ensure the protection of the economy from the emerging dangers (Keynes, 1936). In the form of reforms to the exchange rate system, these decisions are referred to as, to increase public revenues, the government must implement structural changes and limit wasteful spending. Many public issues (economic, commercial, and investment) need to be addressed before the Iraqi dinar can be reduced in value. Indicators of Iraq's economic health have been affected by the shift in the country's currency, as summarized below.

2.5. The impact of the devaluation of the currency on the GDP

One of the most important measures of a country's economic health is its gross domestic product, which, as previously stated, provides a clear picture of the extent to which various economic sectors have advanced or regressed. This is especially true for Iraq, where the country's economy is currently grappling with low oil prices and the Coronavirus pandemic. As a result of the drop in growth-friendly policies and the evident delay in implementing key reforms, this economy has been crippled. Because of this complex situation, Iraq's growth rate could fall as low as 9.5% in 2020, which would be a record low. Oil GDP has decreased by 12 percent since 2003, while non-oil GDP has shrunk by 5 percent because of measures taken to contain the epidemic, especially the weakness of the services sector, which has harmed non-oil GDP growth. It's not just religious tourism that's hurting the state's budget; it's also the participation of the religious tourist sector, which has resulted in a fall in income. The Nok

government's policy on the currency's exchange rate has been rendered ineffective as a result of a number of deliberate acts, the most significant of which were a reduction in the exchange rate of the currency and the financing of the deficit. While it may take a little longer than you expect, the results are worth the wait. A series of reforms are required because the levels of GDP continue to fall and fall despite the fact that the growth rate of GDP has not been significantly impacted by the decline in exchange rates due to the fluctuation in contributions to GDP increasing and decreasing. As a result, the GDP growth rate has not been significantly impacted by the decline in exchange rates. As a result, the state must execute such a policy (Khalil, 1982).

3. THE IMPACT OF EXCHANGE RATE DEPRECIATION ON (BALANCE OF PAYMENTS)

Having a deficit in a country's balance of payments increases the demand for foreign currency, which in turn impacts the currency exchange rate of that country. Here, you can view its current exchange rate. There is a huge disparity in the export structure of Iraq because of the fluctuation in the value of the Iraqi dinar against the dollar, and this can be seen by tracking Iraq's export and import structure. The country's balance of payments reflects this unpredictability. First, crude oil prices rose sharply, and then the export value of this product rose sharply as a result. Then, these exports began to fluctuate again during the turbulent years of this time, which saw a resumption of these exports. Early January 2013, the price of crude oil began to fall, and it lasted until December 2014.

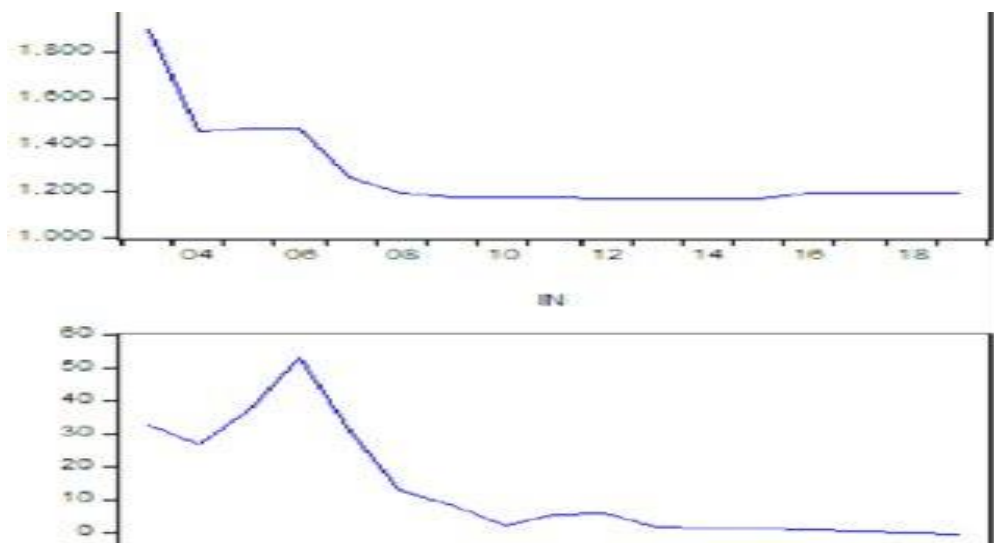


Figure 6: ERD impact on Iraq economy

Source: (Khamees, 2020).

The volume of Iraqi imports increased steadily after 2003 as a result of the removal of the economic blockade and the resulting openness, as well as the reality that Iraq's economy is entirely dependent on imports. Because of this, when the level of government spending was up, so did the level of demand, which was represented in an increase in the level of imports. As a result of the connection between the balance of payments and currency rates, it is anticipated that a decline in the value of the Iraqi dinar will lead to an increase in exports while simultaneously leading to a fall in imports. Iraq's exports are solely oil, and as a result, they can only be sold at low world oil prices. The depreciation of Iraq's currency versus the dollar



pushed up the cost of imports, which in turn pushed up Iraq's trade deficit. Iraq also lacks a diverse industrial base, which would supply alternatives and compensate for the imports.

4. STAGFLATION AS A RESULT OF CURRENCY DEVALUATION

Local prices will rise as a result, reducing the country's competitive advantage as a result of the decision to devalue the Iraqi dinar. This will hurt its balance of payments. If the devaluation of the local currency leads to stagflation, the authorities must keep it under control, or else the entire system could be destroyed. Iraq's manufacturing machinery is rigid, and the country views it as a one-sided industry, so devaluing the currency won't help the country's balance of payments; instead, it could make things worse. Because of people's mistrust in the value of the domestic currency, there may be an increase in demand for foreign currency rather than the domestic currency. This may put upward pressure on prices. This could lead to a decrease in currency value. As a result of Iraq's currency devaluation, import prices have risen and export prices have fallen, resulting in an increase in demand for national products. There are two components to this rise in domestic product demand: an increase in domestic product demand and a drop in the cost of imported goods (Mas'udah and Youssef, 2016). Imports have seen their prices rise, and the local market is scrambling to find cheaper local alternatives. There will be a result in the sterility of local production in this area because of the Iraqi economy's unilateralism, a reliance on the oil sector, as well as a complete freeze on all other economic activity. It is expected that the demand for national products would increase as a result of their lower prices, which will in turn raise the overall inflation rate.

4.1. The impact on the state's general budget of the reduction

Devaluation of the Iraqi currency affects the general budget in two ways: first, it affects revenues, and second, expenditures. This is because the Iraqi economy's primary source of revenue, oil, is a denominator of the Iraqi currency. Non-oil revenue is predicted to grow by 0.01 trillion dinars as a result of a 10% fall in the dinar's value. It would rise by 9.9 trillion dinars at the current exchange rate and by 29.8 trillion dinars if the dinar were devalued by 30%. Two cutbacks totaling 0.6 trillion dinars were made in dinars (10 percent and 30 percent respectively).

5. MEASUREMENT OF EXPENDITURES DUE TO STAGFLATION IMPACT ON IRAQ ECONOMY

Expensive expenditures are possible if the government can keep inflation at bay. The most crucial of them all. Goods and services imported by the government, Interest payments on foreign loan, foreign investment and subscription fees are subject to payment. The ration book, and Social Security Administration. It makes One hundred eighty-one trillion dinars. According to the initial total sum, which is 118 trillion dinars, there are 122 trillion dinars and 130 trillion dinars. According to the adjusted expenditures and income for the 2020 budget, a reduction of 10% or 8.4 trillion dinars will have a net positive effect of (2) trillion dinars on the budget (30 percent). These are some minor benefits of the depreciation. The sum of the portions listed above is 118 trillion dinars involved. The total number of products above 122 trillion dinars would be reduced by 10%. To put it simply, if the initial value was reduced by 30 percent, it would total 130 trillion dinars.

6. STAGFLATION IMPACT ON THE IRAQ'S DEBT REDUCTION

When Iraq has external debts, it has to pay the money it owes, as well as any interest it accrues, in a currency other than its own. In other words, Iraq's national currency is being used to pay

off its debts to other countries, which undermines the country's ability to do so, as a result of stagflation impact on public expenditures and exchange rates. To put it another way, because Iraq pays the same amount of debt and interest in its national currency, the decline in the value of Iraq's national currency benefits the country's ability to pay down its internal debts. This is because Iraq pays the same amount of debt and interest in its national currency as has been decreased. It is a good result of stable debt repayment, even if it is minor, that the internal debt is paid in dinars.

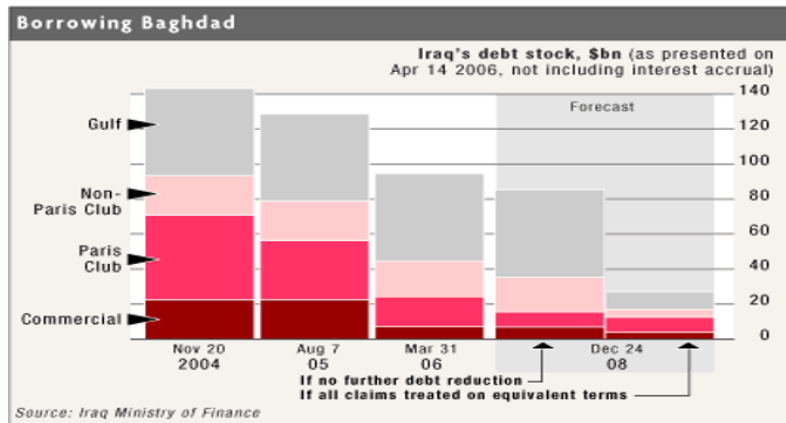


Figure 7: debt reduction impact on Iraq

Source: (Saleh and Al-Mousawi, 2018).

Debts held by banks and the central bank will decline in value as a result of a decrease in the local currency's value versus the dollar, resulting in a decrease in the value of their assets although the Central Bank's reserves are affected, the Ministry of Finance is paid in dollars for its debts. Accordingly, the Ministry of Finance receives less money from the Central Bank because it uses the official exchange rate to determine an equivalent amount in dinars. As a result of the new, lower exchange rate, the short-term sensitivity of the foreign public debt to exchange rate swings has increased.

6.1. Perspectives on crisis management

The first stage in expanding non-oil resources is to reform the financial system and implement a tax and fee plan that grows revenues without inflating their numbers by the number of citizens and the service they receive. Bankers and banks had agreed on an exchange rate of 1250 dinars to the dollar. With over 43 trillion dinars in local currency in circulation, because there is only a reserve of three to four trillion dinars in the banking system, financial institutions are unable to consistently provide the level of liquidity that is required. Examining alternative approaches to the currency auction. Putting up significant efforts to encourage personal savings among citizens and boost the liquid assets of financial institutions. The central bank's responsibility in sustaining a continual fall in inflation and identifying alternate sources of hard currency revenue development without relying on oil earnings, which are prone to constant decline, should be activated. Stabilizing currency exchange rates and improving internal control systems necessitate enlisting the help of auditing and control professionals and establishing a window for dollar transactions with banks and enterprises. Continue to build up the country's reserves of foreign currency at a rate of greater than 50% of GDP.

As a response to the pressure on public expenditures, the adoption of taxes, particularly on items of luxury, while ignoring taxes on productive capital assets. To enable Iraq's industrial

and agricultural sectors to contribute more to the country's GDP by increasing the country's non-oil exports, which make up a very small portion of Iraq's trade balance, the principle of preserving foreign commerce must be applied. This can be accomplished by increasing the country's exports of goods other than oil. It is imperative that smuggling and leakage at the border and direct crossings be controlled in order to protect the Iraqi market and consumer from competition from low-priced imports (Zarifa, 2017).

7. RECOMMENDATIONS

Adoption of a fiscal policy that places a higher premium on expanding investment spending in order to achieve an annual growth rate in the economy. The investment spending should be directed as a sectoral necessity, with the primary concentrate on important industries, in order to accommodate the biggest number of workers possible (farm and industry). The provision of government support in its various forms (loans, grants, and exemptions) is one method that can be utilized to assist in the fight against the issue of unemployment. This can be accomplished by encouraging participation from the private sector and producers in the creation of new jobs. Putting public spending to the test of its economic viability in order to maximize the use of public resources in a manner that is both efficient and effective is the goal of this strategy.

8. CONCLUSION

As a result, it may be said that the success or failure of a currency depreciation policy is dependent on certain variables. If the country's foreign currency reserves are high enough to meet international standards and exceed 30 percent of the country's GDP, then the policy of lowering the currency's exchange rate can be avoided, at least in the short term, as long as the country's production has a sufficient level of those reserves. Lowering the local currency's exchange rate for political, economic, and financial purposes. Because economic growth is occurring at such a snail's pace, the risk of stagflation is growing. These issues are a direct consequence of structural weaknesses in the economic framework of the country as a whole. Even though currency exchange rates do not play a direct part in the activation of economic failures, they nonetheless play a part in activating such failures by imposing negative consequences on the actuality of such indicators. This is how they play a part in activating economic failures. As a result of the two policies' inability to deliver on their promises, the economy became unstable, and the decision to lower the exchange rate in such circumstances had more negative than positive consequences. It disrupted market transactions and raised expectations for further reductions, leading to uncertainty and constraining the market, and increasing inflation. As stagflation pressures rise, so does the purchasing power of the local population at large, which is particularly hard on those who are already struggling financially. The administration must first conduct a structural assessment of public state institutions in order to realize the goals that prompted this decision.

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