

## Financial Panic and Rescue Packages in Light of the Pandemic (Covid-19)

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**Abstract:** International Events and Attitudes in the Economy are accelerated by the new and unique pandemic (COVID-19) with its launch in Wuhan, Chinese beginning of December 2019; highly written this paper to restrict the economic activities in the world, despite finding several vaccines that have proven its quality by more than one international company and recognized by the World Health Organization (WHO). Continuous, It is mistakenly believed that the crisis caused by the Portrait is similar to the previous crises of 1929-1932 or mortgage crisis of 2008 is entirely different; the pandemic briefly a vehicle crisis in all global economic systems not limited to a specific state or an economic sector in itself. The change in approach and economic thought to keep pace with the strength of the pandemic changes, this paper is looking to remove the pandemic and the situation caused by the financial panic in the financial and monetary systems worldwide.

The problem of research is the shock size caused by Corona at the end of 2019 and 2020 and now on the global economy, which led to almost wholly stopping global economic activity and resorting to the Digital Default Economy. The scientific efforts must be devised and highlight the economic repercussions of the pandemic on economic activity under the ongoing changes of pandemic and based on the research from the hypothesis that each of the stimulus programs provided by States under the pandemic and virtual markets has contributed to the absorption of a corona shock absorption, especially at the beginning of the shock In early 2019, The research aims at highlighting the economic implications of economic activity under the ongoing changes of the pandemic with a particular reference to the Iraqi economy and in order to reach results promoted from the research, the researcher will depend on the descriptive analytical method of pandemic and repercussions, and to reach results promoted from the value of research The search was divided into two main destinations.

**Keywords:** Panic financial- Rescue packages - Stimulus programs - Digital markets.

### Introduction

We live today in light of the fourth technological industrial revolution that came as a result of financial globalization, integration and financial liberalization that moved the capital across borders easier compared to the period after the "Bretton Woods" agreement, which strengthened the role of transnational companies by accessing global markets comfortably and acquiring A large area of investments, but the world soon collided with the Covid-19 pandemic, which caused the global economic system to stop and reinforced financial panic among individuals, institutions and governments alike at the end of 2019 until now.

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Despite the relentless efforts of the World Health Organization to give legitimacy to vaccines and urge the whole world to increase the percentage of vaccine recipients in conjunction with government measures represented in stimulus programs and rescue packages with the increasing threat of Covid-19 mutants, the latest of which appeared in South Africa "Amicron", the pandemic claimed more lives From (5) million people around the world. It infected more than (270) million people.

This research paper deals with the repercussions caused by the Covid-19 pandemic on the global economy by identifying cases of financial panic and losses that affected the global economy by taking several models represented by the United States of America, the European Union and China concerning Iraq. Through two sections, the first topic deals with the most prominent indicators of the global economy In light of the Covid-19 pandemic. In contrast, the second topic focuses on rescue packages and their role in neutralizing the effects of Covid-19 and concludes with several of the research paper's most prominent findings and recommendations.

#### **Research problem:**

The research deals with the shock caused by the Corona pandemic at the end of 2019 and the beginning of 2020 and so far on the global economy, which led to an almost complete halt of global economic activity and resort to the digital virtual economy.

#### **Research importance:**

The Corona shock has received great attention at all levels, foremost of which is the economic level, which requires dedicating scientific efforts and highlighting the economic repercussions of the pandemic on economic activity in light of the ongoing changes of the pandemic.

#### **Research hypothesis:**

The research focused on the hypothesis that each of the stimulus programs offered by countries in light of the pandemic and virtual markets contributed to some extent in absorbing the Corona shock, especially at the onset of the shock in early 2019.

#### **Research objective:**

The research aims to shed light on the economic repercussions of the pandemic on the economic activity of the countries under study in light of the continuous changes of the pandemic, with reference to the Iraqi economy.

#### **Research Methodology:**

In order to reach results that enhance the value of the research, the researcher will rely on the descriptive and analytical method of the pandemic data and its repercussions on the countries under study.

#### **Research Structure:**

In order to reach results that enhance the value of the research, the research was divided into two main sections. The first topic deals with describing the emergence and spread of the Corona pandemic, while the second topic focuses on the economic repercussions and effects of the pandemic on the economic activity of the countries under study.

#### **Research limits**

Spatial borders: the United States, the European Union, China, Iraq.

Temporal boundaries: 2019-2022

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## Chapter 1 :- the most prominent indicators of the global economy in light of the Covid-19 pandemic

### Firstly : the covid-19 pandemic, the emergence and spread (financial panic)

The shock (covid-19) constituted a decline and halt to global economic activity at an unprecedented speed, with the emergence of the first cases of infection in Wuhan, China, in December 2019, and by the second week, specifically April 2020, the number of infections reached (1,900,000) people, leaving more than (116,000) deaths.<sup>1</sup>

According to the World Health Organization and the fact that the virus mutates with the passage of time, despite the efforts made by the organization to enhance the human mass subject to the vaccine, the most recent of which was the mutated ((Omicron)) with the Greek name that appeared in South Africa and described it as worrisome, at the time of writing this paper on 4-1-2022 The epidemiological situation was as such, with approximately (298+) million cases and nearly (5) million deaths worldwide, with Europe occupying the advanced ranks, followed by North America, Asia, South America, and finally Africa. The list is the United States of America, followed by India, Brazil, the United Kingdom and France, respectively.<sup>2</sup>

The Corona pandemic (covid-19) reinforced the state of financial panic as a result of the almost complete closure of economic activities worldwide and the tightening of ban measures, which is known in financial literature as a state of uncertainty by dealers with the financial and banking system, prompting dealers to rush to withdraw their deposited financial assets, which causes A liquidity crisis may lead to the collapse of the financial and banking system<sup>3</sup>. In light of the financial crises similar to the crisis on Black Monday 1987 or the mortgage crisis in the United States of America in 2008, which led to huge losses for (25) major banks amounting to more than (300) billion dollars of the value of their assets due to the decline in the value of securities Secured mortgages since 2007.<sup>4</sup>

The Corona pandemic (covid-19) is like a crisis, its data and repercussions are different from its predecessors, as it caused an economic recession and almost complete disruption of economic activity. Through the adoption of stimulus programs and financial support, "rescue packages" similar to those provided by the United States of America in 2008, with a value of (700) billion dollars, which focused on the government buying bad assets and granting tax exemptions worth (100) billion dollars<sup>5</sup>. In light of the recognition of the failure of the global health system in confronting the danger of neutralizing the spread of the pandemic (covid-19), as this was discussed in November of the year 2019 in the works of the (Financial Stability Conference, in a session titled Global Environment and Financial Challenges), which emphasized that the global economy cannot bear an economic shock Great regardless of strength (G20).<sup>6</sup>

On the other hand, there are those who invested in the Corona pandemic (covid-19), and for him it was a positive shock, especially for companies that deal in cyberspace and digital virtual markets, or what is

<sup>1</sup> William Megginson, Fotak veljko, Government Equity Investments in Coronavirus Bailouts: Why, How, When? April 14, p.3, 2020.

<sup>2</sup> Ahmed Al-Mandhari, Director of the Eastern Mediterranean Region, Global Health, Corona virus will not stop developing in the coming months, 12-22-2021 WWW.Who.int (www.who.int/4/1/2022)

<sup>3</sup> Lixin Huang, Banking Panics and the Origin of Central Banking, Gary Gorton, Working Paper 9137, September, p.5 , 2002.

<sup>4</sup> Mohamed Abdel Hamid Attia, The global financial crisis and its impact on the financial markets using the event study method, Egypt, Alexandria, University Education House, p.263 2010.

<sup>5</sup> Mohamed Abdel Hamid Attia, previous source, p.274 .

<sup>6</sup> Michael M. Hutchison, The Global Pandemic, Policy Space and Fiscal Rules to Achieve Stronger Stabilization Policies, Seoul Journal Economics, Vol.33 No. 3, pp.308 – 309 , 2020.

known as "electronic gold", where the wealth of billionaires around the world amounted to (13.1) trillion dollars, and the total Wealth (8) trillion in 2020, for example, the wealth of "Jeff Bezos" rose in 2021 to approximately (177) billion dollars. As for "Elon Musk", his wealth amounted to (151) billion dollars due to the rise in shares of Tesla and SpaceX in light of the Corona pandemic ( covid-19) .<sup>7</sup>

## Secondly: General indicators of the global economy in light of (covid-19)

### I. Economic slowdown

It was clear that the global economy was going through an economic slowdown in the middle of 2019, with the increase in the volume of indebtedness compared to real production, by using Figure No. (1) below

**Figure No. (1) Actual and expected growth rates for the period 2011-2024**



Source: IMF October 2019 WEO Last half of 2019 is estimated and forecasted

According to the expectations of the International Monetary Fund (IMF), this slowdown is likely to witness a breakthrough in high economic growth rates if the strategies of the World Health Organization regarding (covid-19) are adopted, attributing other reasons for this slowdown represented by a sharp slowdown in imports and the accompanying low investment rates. Also, the trade war between the two poles of the global economy, China and the United States of America, through the indicator (uncertainty) in the trade policy of the United States of America, which is of a restrictive nature, which in turn affected the uncertainty in trade policy in the world, if we take into account the size of the debt on the United States of America. According to data from the US Treasury Department, China has about (1.7) trillion dollars, taking into account the volume of investments and companies based in the Chinese economy. In contrast, the losses of the global economy, according to (IMF) as a result of (covid-19), amounted to about (12) Trillion dollars during the period (2019-2020).<sup>8</sup>

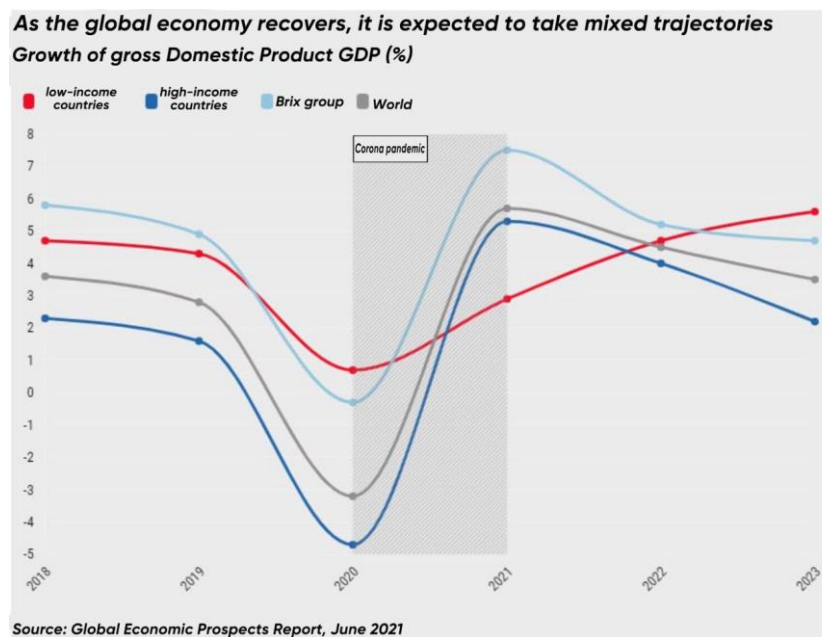
<sup>7</sup>

<sup>8</sup> Michael M. Hutchison, previous source, p.325 .

## II. The recovery gap for the global economy

Low- and middle-income countries suffer from a gap of not recovering and catching up with high-income countries, with a decline in "financial literacy"\*<sup>9</sup> along with a lack of awareness regarding the risk of spreading (covid-19) due to the low percentage of people who received vaccine doses and then neutralized The spread of the pandemic, according to the Global Economic Outlook report in June of the year 2021, confirmed the possibility that the global economy would grow at a rate of (5.6%), which is its most robust growth rate after the economic recession that occurred 80 years ago. The recovery paths will be uneven, especially for the least developed countries, because it will not be able to exceed the growth rate (2.9%) in 2021, considered the slowest growth rate during the past twenty years, as shown in Figure No. (2) the global economy during the period 2020-2021 witnessed a significant decline in growth rates that affected the groups of society's Fragile population, with (100) million people suffering from extreme poverty.<sup>10</sup>

**Figure No. (2) The global economic recovery path**



## III. Indebtedness in light of the pandemic (covid-19)

Developing countries have witnessed unprecedented levels of indebtedness, which constituted an additional pressure factor with the spread of the pandemic (covid-19) in the absence of financial buffers to neutralize indebtedness pressures. Prevention and spreading of the vaccine to include the most significant percentage of societies around the world, recognizing that the burdens of indebtedness, even with the pandemic receding for an extended period as a result of the high debt service in light of the efforts aimed at addressing other development challenges, foremost of which is climate change that poses to developing

\*What is meant here is an attempt to eradicate financial illiteracy among segments of society through financial education programs and productive financial behaviour by enhancing individual and community confidence in the financial system and striving to develop capabilities in making critical financial decisions.

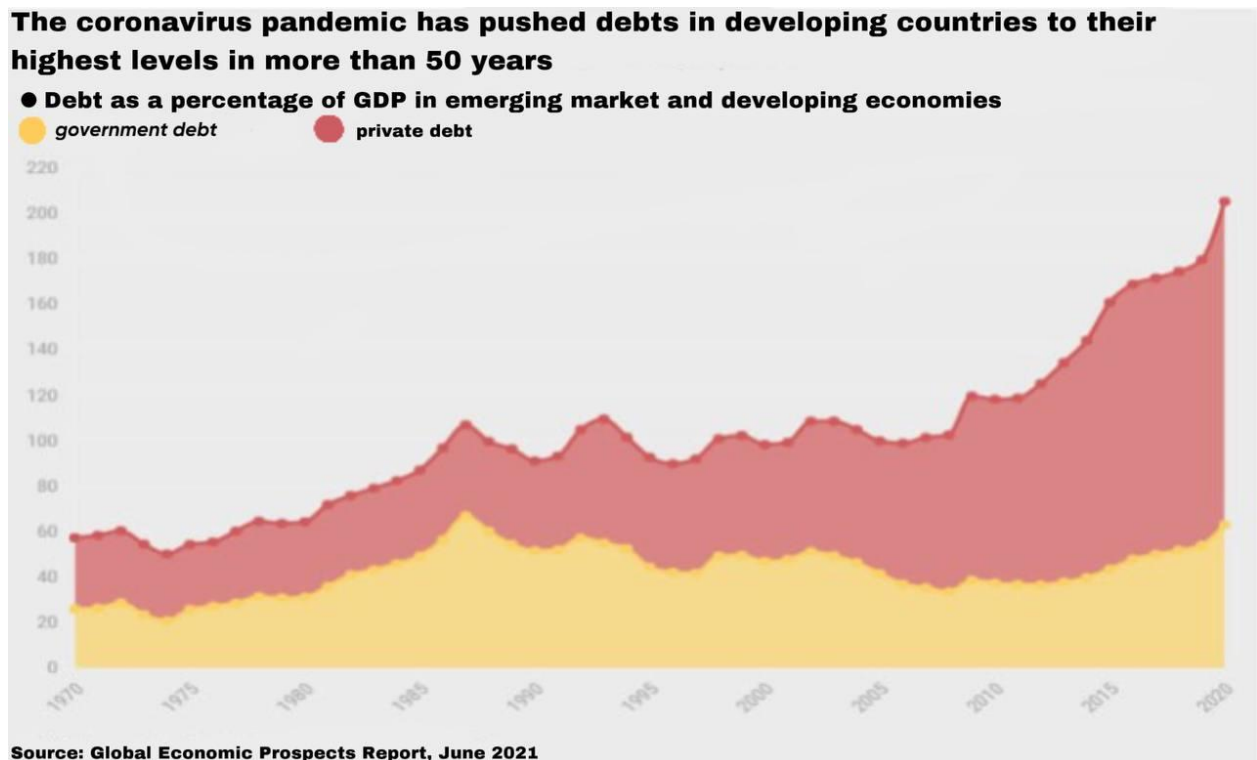
<sup>9</sup> Lewis Mandell and Linda Schmid Klein, The Impact of Financial Literacy Education on Subsequent Financial Behavior Journal of Financial Counseling and Planning Volume 20, Issue 1 2009.

<sup>10</sup> 6. Venkat Goplakrishnan, Devanshi Wadhwa, Sarah Haddad, and Paul Balbek, Viewing Harvest 2021 in 11 Infographics, Pandemic Inequality, 12-20-2021.



and rentier countries according to the G20 summit ( G20) the last in Rome, which was held on 10-30-2021, which stressed the importance of reducing carbon dioxide emissions resulting from the excessive use of fossil fuels.<sup>11</sup>

Figure No. (3) Indebtedness in light of (covid-19)



## Chapter 2 :- rescue packages and their role in neutralizing the effects of (covid-19)

### Firstly : rescue packages, selected models (USA - European Union - China)

#### I. Rescue packages (USA)

Away from the exchange of accusations that Donald Trump initiated towards China as the source of the epidemic, which it manufactured in its laboratories, the matter does not go beyond the ongoing debate between the two poles of the global economy and the origin of the raging economic competition between the two countries \*, and before delving into the support program for the US government, which amounted to (2.3) trillion dollars And nearly (10%) of the (GDP) rescue packages .<sup>12</sup>

According to a study conducted in the period (March 28-April 4) of the year 2020, for a sample of (580) small companies out of (4.6) million small companies, as a result of the financial panic and uncertainty

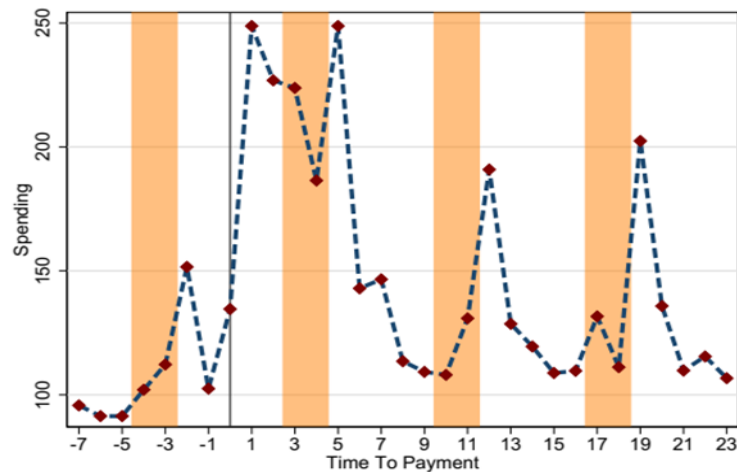
<sup>11</sup> 22. G20 Summit in Rome, <https://g20.org/>.

\*Many scenarios adopted the origin of (Covid-19), including what linked its reality to the United States of America through a patent belonging to it under the title "Corona Virus" in 2015, and based on the American vision and in the words of its former Minister of Defense (Robert McNamara) in a speech. It was issued in 1979 and stated, "The skyrocketing number of the world's population constitutes the greatest obstacle to economic and social development in the world. Therefore, we must prevent the world's population from reaching (10) billion people, either by reducing the birth rate or by raising the death rate by increasing wars or spreading famine and disease."

<sup>12</sup> William Megginson , previous source , p. 1 .

that preceded the rescue packages (covid-19) caused A large number of them exited the market after several weeks, as (43%) of the companies were closed temporarily. The main reason for that was the decline in demand, the decline in productivity to about (39%), and the decrease in employment to (47%). This, while the decline in real estate companies, was less. Being able to work at half its capacity by maintaining production levels remotely, many small and medium-sized companies also suffer from financial fragility in light of expenses that exceed (10,000) thousand dollars per month and that they have enough money to cover only two weeks <sup>13</sup>. Companies with the launch of rescue packages, and according to the sample survey, are expected to achieve a benefit of more than (70%) if this support is applied along the lines of wage protection programs but provided that it is far from routine and bureaucratic plaintiffs <sup>14</sup>. Let us go back to the rescue packages for the period (2001-2008). We will notice that they dealt with emergency economic crises of another kind and did not witness a complete closure of economic activity. However, they witnessed a rapid and significant response from families to receive stimulus checks across multiple categories of expenditures, along with Tax exemptions, noting that the tendency towards spending is uneven among families with the lowest incomes, whose response is significant compared to families with large declines in net worth with low financial assets. Therefore, the response to stimulus programs is more robust, consistent with the rescue packages for the pandemic (covid-19) in 2018 and 2020. The response is almost the same <sup>15</sup>. Where Figure No. (4) shows the rescue packages and the degree of response to spending according to the period; the vertical axis represents the volume of spending in dollars. The horizontal axis shows the period in which spending takes place after receiving stimulus checks or tax exemptions; the value on the horizontal axis is (0) or less than. The (0) are shaded periods that usually coincide with weekends or official holidays. It is noted that during the period between (1-6), the most significant volume of spending was witnessed, approximately (160-250) dollars, either the period between (-1, -5). The volume of spending did not exceed (100) dollars, and it usually expresses shaded periods.

**Figure No. (4) Rescue packages and expenditure response periods**



<sup>13</sup> Alexander w. Bartik, Marianne Bertrand, and Others, The Impact of Covid-19 on small business outcomes and expectations, Working Paper 102, pp. 1-3, 2020.

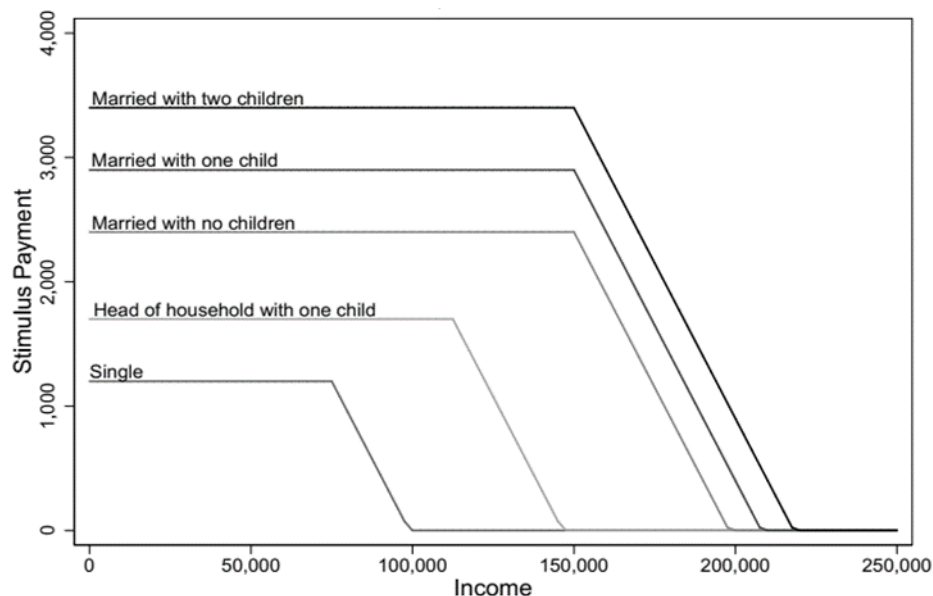
<sup>14</sup> Alexander w. Bartik, previous source, pp. 17-18 .

<sup>15</sup> Scott R. Baker, R.A. Farrokhnia, and Others, Payments Response to the 2020 Economic Stimulus Income, Liquidity, and Consumption September, pp. 17 – 18 , 2020.

Scott R. Baker, R.A. Farrokhnia, **Income, Liquidity, and the Consumption Response to the 2020 Economic Stimulus Payments**, SEPTEMBER, working paper NO 55 2020, p34.

Figure (5) below shows the rescue packages according to the relief and economic security law and in response to the social situation of families and income levels. The vertical axis represents the sums received by families according to the number of members of one family. In contrast, the horizontal axis embodies the level of income per person in dollars in light of the Covid-19 pandemic, where A family consisting of 4 members, whose income ranges between (200-250) dollars, receives rescue packages worth (3000-4000) dollars. As for the unrelated person whose income ranges between (50-100) dollars, he receives a rescue package worth (1000) dollars, so the case plays social sector plays a significant role in providing support through the Relief and Economic Security Law.

**Figure No. (5) rescue packages according to the social classification of families**



**Source: Coronavirus Aid, Relief and Economic Security Act, USA, 2020**

## II. Rescue packages (European Union)

The countries of the European Union, led by Germany, seek to enhance stability in macroeconomic variables while enhancing microeconomic efficiency, and the goal is to stimulate government spending during periods of economic recession or almost complete stoppage imposed by Covid-19<sup>16</sup>.

Referring to the Permanent Income Theory (PI) of Modigliani 1959 and Milton Friedman 1957, we find the other dimension of fiscal stimulus programs, as a result of governments adopting support policies during cases of economic crises, find that they seek to increase spending rates accompanied by the marginal tendency to consume high and this effect that permanent income creates (PI) must be in the present and future to ensure the smoothness and sustainability of the economic activity<sup>17</sup>. The European Commission has embarked on several programs through the European Central Bank, the foremost of

<sup>16</sup> Desiree U. Klingler, GOVERNMENT PURCHASING DURING COVID-19 AND RECESSIONS: HOW Expansionary LEGAL POLICIES CAN STIMULATE THE ECONOMY, Public Contract Law Journal • Vol. 50, No. 1 • Fall, p.23, 2020.

<sup>17</sup> Eugene F. Fama, Stimulus and the Permanent Income Hypothesis, Chicago Booth Paper No. 16. 08-21, February 19, p.1, 2021.



which is the Emergency Program (PEPP), with a value of (1,350) billion euros, to absorb the shock of Covid-19 and provide support For small and medium-sized companies that form the backbone of the European Union's economy by (99%) of the total institutions in the European Union and with a human mass exceeding (100) million people and generate nearly half of the (GDP) of the European Union <sup>18</sup>. The rescue packages aim to help citizens to survive in light of Covid-19 through the aid program for the year 2020 and the work of the European Union Reconstruction Fund with an estimated budget of (750) billion euros in order to neutralize the outbreak of the pandemic, especially after the collapse of the situation in Italy. It also provides support To invest in digital transformation and promote virtual markets; at the same time, an amount of (540) billion euros was allocated for the security of workers and companies in the union, and an exceptional lending package worth (2,364.3) billion euros as direct financial support for the countries most affected by Covid-19. International institutions and the Fund also provided The International Monetary Fund is about (7.7) billion dollars to finance low- and middle-income countries to reduce high unemployment rates and maintain economic stability while providing a particular loan program that supports job preservation during the Covid-19 pandemic period. <sup>19</sup>

The support program, as shown in Table (1), provides temporary financial buffers against unemployment left by the Covid-19 pandemic, as the amounts of financial packages provided can reach (100) billion euros in the form of loans to countries hardest hit by Covid-19 in order to maintain the workforce in Small and medium-sized companies, according to Table No. (1) 19 countries received direct assistance with a value exceeding (90) billion euros. Italy and Spain received the largest share, with a total value of (49) billion euros, being the most affected by the pandemic, followed by Poland in third place with a financial package amounting to ( 11) billion euros, as shown below in Table No. (1)

**Table No. (1) Rescue packages for the European Union countries most affected by the Covid-19 pandemic**

Country	The proposed loan amount	Paid
Belgium	8,197 bn	8,197 bn
Bulgaria	511 mln	511 mln
Cyprus	604 mln	604 mln
Estonia	230 mln	230 mln
Greece	5,265 bn	5,265 bn
Spain	21,324 bn	21,324 bn
Croatia	1,02 bn	1,02 bn
Hungary	504 mln	504 mln
Ireland	2,5 bn	2,05 bn
Italy	27,438 bn	27,438 bn
Lithuania	957 mln	957 mln
Latvia	305 mln	305 mln
Malta	420 mln	420 mln
Poland	11,23 bn	8,236 bn
Portugal	5,934 bn	5,41 bn
Romania	4,099 bn	3 bn
Slovenia	1,113 bn	1,113 bn

<sup>18</sup> Malgorzata Jablonska, Joanna Stawska, Public aid and entrepreneurship during the covid-19 pandemic in the European union countries, Journal of Finance and Financial Law, Vol 3 (31), September, p.59 ,2021.

<sup>19</sup> Malgorzata Jablonska, previous source , pp.71-72 .

<b>Slovakia</b>	<b>630 mln</b>	<b>630 mln</b>
<b>Czech Republic</b>	<b>2 bn</b>	<b>2 bn</b>
<b>Overall</b>	<b>94,3 bn</b>	<b>89,6 bn</b>

Source: SURE instrument

### III. Rescue packages (china)

The Covid-19 pandemic significantly impacted the Chinese economy, the country in which the first cases appeared. It was not preceded by any proactive preventive measures, as happened in the rest of the world, which prompted the Chinese government to take immediate measures to avoid the risk of an outbreak of the Covid-19 pandemic, foremost of which is the program (Zero-Corona), which left a great shock at the beginning of its application to macroeconomic indicators, foremost of which was the stock market losses of (9%) in the first trading operation after the halt imposed by the pandemic. The transportation sector declined by (95%).<sup>20</sup>

According to the report of the United Nations organization, a contraction of (2%) in China's production significantly affects the global economy, with an estimated decrease of about (50) billion US dollars in trade exchange, and the sectors most affected are the manufacture of precision tools, machinery, automotive equipment, and communications devices, among them The most affected economies are the European Union (15.5 billion dollars), the United States (5.8 billion dollars) and Japan (5.2 billion dollars)<sup>21</sup> As a preliminary measure by the Chinese government to reduce the state of financial panic and reassure individuals and institutions, the Chinese Central Bank announced the launch of an initiative worth (188) billion Dollars to reassure investors as a first step to prevent the spread of the pandemic. This step reinforced the positive indicators at the beginning of the year 2020, as the number of individuals who received the vaccine exceeded (75%), specifically in the first quarter of 2020. It witnessed a record growth rate of (18%) compared to the same period in 2019. Moreover, it is expected that China will witness a growth in the gross domestic product in 2021 to approximately (8.4%) and (5.5%) at the beginning of the year 2022, according to reports of international institutions, the World Bank<sup>22</sup>. These expectations were adopted by the highly flexible fiscal and monetary policies and stimulus programs adopted by the Chinese Central Bank by increasing the flexibility of the exchange rate of the (yuan) and maintaining stability in the local currency as much as possible with the variables imposed by the pandemic, the latest of which is mutated (Amicron)<sup>23</sup>.

The governor of the Chinese Central Bank also confirmed that the "zero coronae" program would focus on strengthening support for real sectors by adopting proactive monetary policy tools and providing support for the health sector and the real estate sector by strengthening rescue packages, including reducing the standard interest rate for lending by 5 basis points, on expanding Government spending and building integrated quarantine centers, especially for the rural population who lack the necessary quarantine requirements, which complicates the process of discovering the actual numbers of infected people, and

<sup>20</sup> Report on the Economic and Financial Crises Institute 2020-2021 BOC, accessed on 3-1-2022 <https://www.boc.cn/en/bocinfo> <https://www.boc.cn/en/bocinfo/bi1>.

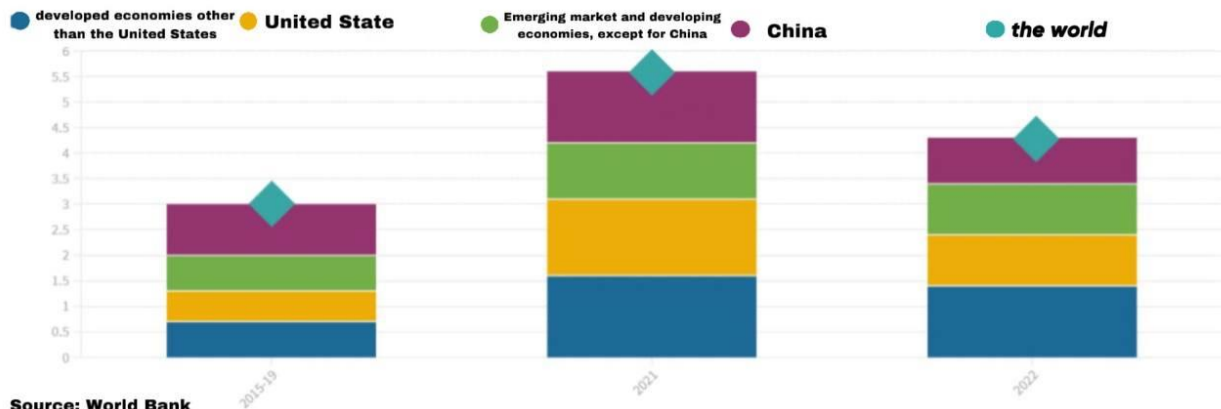
<sup>21</sup> 21. A UN report, 50 billion dollars in losses due to the impact of Corona on the export sector globally, accessed on 5-1-2022 <https://news.un.org/ar/story>.

<sup>22</sup> The World Bank, Global Economic Outlook, Five Charts. <https://blogs.worldbank.org/ar/>

<sup>23</sup> Report on the Economic and Financial Crises Institute 2020-2021 BOC, accessed on 3-1-2022 <https://www.boc.cn/en/bocinfo> <https://www.boc.cn/en/bocinfo/bi1>

thus neutralizing the outbreak of the bitter pandemic, which necessitates strengthening the infrastructure of the rural population through flexible fiscal and monetary policies .<sup>24</sup>

**Figure No. (6) Global economic growth forecasts according to the World Bank**



Source: World Bank

Note: Gross aggregate growth rates are calculated using the weights of the gross domestic product at average dollar prices for the years 2010-2019 and market exchange rates. Figure shows contributions to global growth forecasts in 2021 and 2022 World Bank forecasts in June 2021 compared to average contributions to growth over the 2015-2019 period

#### IV. The repercussions of the Covid-19 pandemic on the Iraqi economy

The Iraqi economy is characterized by rentiers, which is explained by the contribution of oil revenues by more than (90%) and (65%) of the gross domestic product, which explains the linkage of the Iraqi economy and its impact on the global economic changes through the oil sector. 19 on the world, the decline in oil prices and the restriction of production by the (OPEC +) agreement, which set the production rate until the first quarter of 2022, which affected the Iraqi economy with a political, health, and financial "compound shock" that reinforced financial fragility and growing poverty rates among the segments of Iraqi society Where the data indicates that approximately (20%) of Iraqis live below the poverty line, and the poverty rate in southern Iraq is almost the largest with (31.1%). The poverty rate among children under the age of (18) is (22.1%). This does not mean that the regions Others do not suffer from poverty and financial fragility, especially with the imposition of a complete ban at the beginning of the Covid-19 pandemic.

At a time when the percentage of spending on food from Iraqi families is approximately (41-45%) of the income of the poor groups. As for the southern regions, the percentage is (47%), with an emphasis on the fact that nearly a third of Iraqi youth (35.5%) do not find job opportunities and are not joined the labor market due to the lack of real opportunities and the lack of guarantees to work in the private sector.<sup>25</sup>

Let us come directly to the direct effects of the Covid-19 pandemic, with the first infection recorded on 24-2-2020, as the government applied comprehensive urbanization measures while giving special powers to governors regarding the ban measures. Regarding financial rescue packages, the government provided only minimal financial assistance that did not exceed (25) dollars for each person from the poorest groups. This number cannot be compared in any way to the stimulus programs that were discussed in the models selected above. The measures of social solidarity and food combinations have played a more significant

<sup>24</sup> The Chinese Central Bank supports the real economy in light of Covid-19, <http://www.loomberg.com>, accessed on 28-12-2021.

<sup>25</sup> 2. WB Study, Unicef, Evaluation of the Impact of the Corona Pandemic on Poverty and Vulnerability in Iraq, pp.7-8, July 2020.

role during the periods of the comprehensive ban, especially with the financial measures. The government's austerity resulted from the budget deficit and the decline in global oil prices.<sup>26</sup>

The government focused on austerity measures and seeking quick solutions to finance budget items, forgetting the greatest danger left by the "compound shock." There were no comprehensive plans and stimulus programs to confront the threat of the spread of Covid-19.<sup>27</sup>

Ignoring the warnings of the Independent High Commission for Human Rights that Iraq will become the most significant hotspot in the region or the world unless it witnesses temporary measures to confront the threat of the Covid-19 pandemic.<sup>28</sup>

The effect of the compound shock can be seen in Table No. (2) below:

**Table No. (2) Expenses and revenues for the first half of the year 2020**

elaboration		Dinar	Percent %
expenses	Salaries and wages	18,170,647,732,705	58.9
	Service supplies	88,944,568,981	0.3
	Commodity supplies	496,132,841,578	1.6
	Asset maintenance	59,591,035,590	0.2
	Capital expenditures	33,504,109,165	0.1
	Grants, advertisements and debt service	4,792,552,842,348	15.5
	Social Welfare	7,181,666,140,346	23.3
	the total	30,859,809,899,786	100
Revenues	Oil revenues and mineral resources	25,679,359,787,982	91.4
	Income and wealth taxes	651,449,552,757	2.3
	Commodity taxes and excise duties	482,183,136,802	1.7
	Fees	241,108,724,595	0.9
	Budget share of public sector profits	526,638,265,551	1.9
	capital revenue	16,687,038,795	0.1
	Transfer revenue	148,218,653,838	0.5
	Other income	336,971,491,182	1.2
	the total	28,082,616,651,502	100
disability		- 2,777,193,248,284	

**Source: Hassan Latif Al-Zubaidi, The Economic and Social Repercussions of the Corona Pandemic in Iraq, Arab Center for Research and Policy Studies, October 11, 2020, p. 7**

Oil exports for the first half of 2020 amounted to (595.1) million barrels, with total revenues amounting to (25,679) trillion dinars, at an average price of (34.7) dollars per barrel, according to the data of the

<sup>26</sup> 4. The Ministerial Council for Economy discusses a mechanism for providing a financial grant to those affected by the curfew, Alsumaria News website, 4-7-2020, accessed 12-25-2021

<sup>27</sup> Republic of Iraq, General Secretariat of the Council of Ministers, Department of Cabinet Affairs and Committees, discussing financial matters and rearranging budget funding priorities, 1-6-2020.

<sup>28</sup> The High Commission for Human Rights in Iraq, Third Report, Evaluation of the Response to Combat COVID-19 in Iraq, April 9, 2020, accessed on February 27-2021.

Ministry of Finance for June 2020. Total expenditures amounted to (30,895) trillion dinars, with an average monthly expenditure of (5,143) for the first half of 2020. Their total revenues amounted to (28,082) trillion dinars, which constitutes an additional pressure factor on the investment side. The budget for the year 2021 was based on the price of a barrel of oil for export purposes, estimated at (45) dollars per barrel. This estimate is with the revenues. The non-oil sector caused a default deficit of 29 trillion dinars out of total expenditures of 129 trillion dinars.

Bearing in mind that the daily export rate exceeds (3) million barrels of oil per day and that oil prices have increased in their annual averages by about (60) dollars per barrel instead of (45) dollars per barrel for the entire fiscal year, this means that (75%) of the deficit It will be covered from the monetary differences resulting from the rise in oil prices, exceeding the limits of (60) dollars per barrel as an annual average. The deficit gap is close to closing, provided that other non-oil revenues achieve stability that matches their estimates.

The problem is embodied in the weakness of non-oil revenues from taxes, fees, and other financial flows, which were estimated at (20) trillion dinars, of which the budget has not yet reaped less than (30%), which suggested resorting to borrowing as it is a deficit budget of (29) trillion dinars and the deficit The added value is equal to (13-14) trillion dinars as if the total deficit had risen to (44) trillion dinars, had it not been for the favorable oil price changes that would pay off the unrealized revenue differences outside oil revenues.<sup>29</sup>

## Conclusions

1. The Covid-19 pandemic has proven that the world lives in the shadow of the most potent forms of globalization and financial integration, and therefore the rapid transmission of the impact of any shock that cannot be neutralized globally.
2. The Covid-19 pandemic significantly impacted the global economy through the almost complete halt of economic activity, especially the slowdown in growth rates.
3. The Covid-19 pandemic has proven the failure of the global health system to confront and neutralize the threat of the pandemic, especially its onset.
4. The Covid-19 pandemic has caused financial panic for individuals and institutions alike, with a strong tendency to hold cash for hedging purposes due to the uncertainty of the future.
5. The support programs (rescue packages) had a significant role in preserving the life of a large segment of the labor force in small and medium-sized companies by providing them with income, soft loans, and tax exemptions, which is consistent with the hypothesis of the research.
6. The pandemic has proven the weakness of financial buffers and proactive policies, especially for countries outside the (G20), explicitly developing countries, including Iraq.

## Recommendations

1. Seriously seek global cooperation in order to neutralize the threat of the spread of the Covid-19 pandemic.
2. Giving more space to financial buffers (sovereign funds) to remedy future crises, especially for rentier countries with weak growth, including Iraq.

<sup>29</sup> The Iraqi Gazette, Law No. (23) for the year 2020, the federal general budget of the Republic of Iraq for the fiscal year 2020. <https://www.moj.gov.iq/iraqmag/>.



3. The necessity of real diversification of the Iraqi economy and the exploitation of the optimistic vision of oil prices in the year 2022 so that the oil sector is a locomotive for real growth for the rest of the real sectors.
4. The Covid-19 pandemic has proven the importance of providing guarantees to the labor force, especially in the private sector, which exceeds (99%) in the European Union, in contrast to developing countries, including Iraq. Therefore, there is an urgent need to support the private sector as it is the basis for investment and sustainable growth.

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