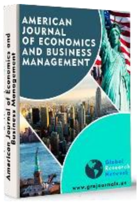

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The Impact of Government Spending on Economic Development

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Abstract:
Public spending is an important tool within the framework of economic policy to achieve economic development goals. It is therefore considered the government's reliant tool for intervening in economic life. Public spending is one of the state's tools through which it seeks to increase the gross domestic product, achieve economic and social goals, and achieve economic stability by balancing supply and demand. It is well known that the Iraqi economy suffers from major problems, challenges and imbalances for several reasons, both internal and external. The Iraqi economy suffers from rentierism and a lack of clarity in the development plans of the economic sectors, which has resulted in the squandering, loss and failure to achieve wealth. It has become clear that the economic obstacles facing countries are a result of poor financial planning, backward financial policy, especially spending, and its inability to solve the problems it faces. Therefore, attention must be paid to economic development because it is capable of moving the country from a backward economic reality to a state of prosperity and progress. In order to encompass the content of the research, some theoretical concepts of government spending and economic development were addressed, as well as the effects of both government spending on some indicators of sustainable economic development. Many conclusions were reached that were based on practical reality, and the most important reasons for the failure of government spending to meet challenges and achieve its development goals. In light of this, a number of recommendations were made that lead to raising the level of government spending in order to achieve sustainable economic development.

The level of government spending to achieve sustainable economic development.

Keywords: public expenditures, economic development, Iraq.

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Introduction:

It is well known that public spending represents an important tool within the framework of economic policy. Therefore, spending policy largely reflects the goals set by the government to advance economic development. Through intellectual development, advanced spending policies must be developed that are capable of achieving these goals, regardless of the direction of the regime, its philosophy, and the nature of its ownership. In light of the economic challenges facing most Arab countries, this requires directing public government spending in a manner that achieves a qualitative leap, leading to improved utilization of natural and human resources to achieve the well-being of the people. All these challenges are reflected in the development goals that government spending seeks to achieve in order to achieve sustainable economic growth and raise the standard of living, ensuring the rights and future of future generations. From this perspective, the research sought to examine the nature of the evolution of public spending in Iraq and the trends of this spending, focusing on the role of spending policy in achieving economic development and its effectiveness.

Research Methodology

1. The Research Problem

The research problem lies in the fact that there are significant weaknesses in the spending policy in Iraq, and that the policy that prevailed in the past cannot be continued, as this leads to negative effects that significantly impact the spending policy, thus limiting the desired positive outcomes of this policy in terms of advancing economic development and achieving economic stability.

2. **The Importance of the Research:**

1. Enabling researchers and those interested in scientific research to understand the extent of the impact of public spending on sustainable economic development processes.
2. Public spending is a driver of economic development, as it contributes to increasing the productive capacity of the local economy if directed towards the correct productive sectors.

3. **The Research Objective:**

In order to prove the validity of the aforementioned hypothesis, the research aims to:

1. Construct a standard model that clarifies the nature of the functional relationship between public spending and the gross domestic product during the aforementioned research period.
2. Identify the obstacles that hinder the process of sustainable economic development in Iraq and find ways to resolve them.

4. Research Hypothesis:

The research is based on the hypothesis that: (Adopting spending policies appropriate to the state of the Iraqi economy and its key sectors, coupled with the availability of a suitable environment, will lead to economic development and progress(.

5. Research Method:

The research adopted both inductive and deductive approaches, as well as a quantitative approach, to analyze the relationship between public spending growth and economic development for the period from 1990 to 2015.

6. Research Limits:

- Spatial Limits: The research covers the Iraqi economy.

Temporal Limits: The research period was set between 1990 and 2015, as a time series covering 26 years. This is a standard period for research and analysis purposes, and to ensure validity of the results, as it requires a long time series, and to understand the economic fluctuations that occurred during this period due to the circumstances Iraq experienced.

Section One

The Conceptual Framework of Spending

Introduction:

Spending is considered an important financial tool used by the government to satisfy public needs and achieve societal goals. Although spending enables the government to operate its administrative apparatus, the size of that spending largely reflects the government's effectiveness and the extent of its influence on economic activity. In general, spending is considered a monetary measure of the goods and services the government provides to society (1)

In this section, we will examine the concept of spending and the evolution of the view of it. We will then review spending outcomes and the composition of spending. At the conclusion of this section, we will examine spending indicators as follows:

First: The Concept of Public Spending:

Financial literature abounds with numerous definitions of spending. The reality is that the existence of more than one definition of spending does not necessarily imply a difference in concepts. Rather, it reflects a difference in the perspective from which the phenomenon (spending) is viewed, which is largely accepted.

To begin with, it must be stated that, in the technical definition of Sharia, spending is the withdrawal of a portion of money from the public treasury of Muslims with the intention of satisfying a public need (2)

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(1) Awf Al-Kafrawi, Public Expenditure in Islam, Shihab Printing and Publishing Foundation, Alexandria, 1988, p. 21

(2) The same source, p. 22

From the socio-economic concept: These are the expenses incurred by the government in exercising its authority to govern and command. Expenditures incurred by the state or other public authorities in circumstances similar to those of individuals and private entities are considered similar to private expenditures, such as water and electricity utility expenses, mining investment, and some other industries. These expenditures do not differ in any way from private expenditures, economically speaking. Thus, the distinction between public and private expenditures aims to understand the impact of state intervention in the economic sphere and in social life in general (1). Some define spending as the amounts spent by the state to provide services to citizens, to purchase goods to enable it to provide its services, to assist a segment of society, or to establish various economic and social projects. Others view it as the amounts spent by government departments as payment for goods and services they obtain to carry out their assigned activities and work, such as salaries, wages, bonuses, water and electricity costs, equipment, machinery, rents, and others (2). Others view it as the amounts paid by the government to institutions, individuals, or groups in exchange for productive or consumer goods or services, as well as the amounts paid by the state as interest on government loans and what are known as transfer payments, which are amounts paid by the state without compensation and include a wide range of elements such as subsidies for the poor, juvenile benefits, unemployment benefits, and old-age benefits (retirement salaries). These subsidies may take the form of support for certain factories, institutions, or producers (1).

Second: The Elements of Public Spending:

Regardless of the definition of spending, its elements can be technically defined as follows:

1. Spending is an amount of money:

For government spending to be considered, it must take the form of cash. That is, the government must use money to obtain what it needs to operate its facilities and to acquire the goods or services it needs. Therefore, non-cash methods previously used by states are not considered public expenditures. Examples include forcing individuals to work without pay or collecting what it needs in kind from

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(1) Abdullah Al-Sheikh Mahmoud Al-Taher, Introduction to the Economics of Public Finance, King Saud University Press, Riyadh, 1988, p. 134.

(2) Abdul Karim Sadiq Barakat and others, Public Finance, University House for Printing and Publishing, Beirut, 1986, p. 118

individuals without payment. There are several reasons behind the state's shift toward cash expenditures, namely(2)

1. The shift of societies from a cash economy to a monetary economy. Therefore, it is unreasonable for individuals to deal with each other in cash while the state deals with them in cash.
2. The difficulty of exercising administrative and parliamentary oversight over in-kind expenditures.
3. In-kind expenditures raise numerous administrative problems, including inaccurate estimation or the state's favoritism toward some individuals by granting them in-kind benefits whose value exceeds the value of the goods and services they provided. In-kind benefits also constitute a violation of the principle of equality among individuals in bearing public burdens. This is evident when the state achieves equality among individuals in paying taxes and then favors some individuals with in-kind benefits, which indirectly reduces the tax burden.
4. Spending is undertaken by a public person:

A public person refers to any legal entity that performs a public service and is subject to the rules of public law. This definition of the entity of expenditure enables us to distinguish between public and private spending. Therefore, sums spent by natural persons in the field of public service to society, such as donating to build a school or hospital, are not considered public expenditures, as a condition for public expenditures is that they be derived from the financial assets of a public legal entity (1.(

When the state exercises its public activity, this activity relies on its authority to manage public funds through its public entities, taking into account the legal standard. However, if the state spends in its capacity as an economic activity similar to that practiced by individuals, such as undertaking productive projects, then jurisprudence, particularly in France, considers these expenditures to be private expenditures and not public expenditures, based on the distinction between the two types of expenditures (public and private), which aim to influence the course of social life in general and economic life in particular (2).

(1) Abdul Hadi Al-Najjar, The Economics of Government Activity, Kuwait University Publications, Kuwait, 1982, p. 36.

(2) Ali Muhammad Khalil and Suleiman Ahmad Al-Lawzi, Public Finance, Dar Zahran for Publishing and Distribution, Amman, 1999, p. 89.

2. Spending Aims to Achieve Public Benefit:

Government expenditures must be issued with the primary objective of satisfying public needs and achieving public benefit. Accordingly, expenditures that do not satisfy a public need or provide public benefit to individuals are not considered public expenditures. Public finance writers justify this requirement on the basis that individuals are all equal in bearing public burdens (such as taxes), and therefore should benefit equally from the state's public expenditures. This means that expenditures should be directed to meet a public need and not a private interest.

Public finance writers agree that determining public benefit is left to the political authorities, just as determining public needs is. The exercise of the public authorities' right to determine public needs is subject to oversight by the people or their representatives to verify the extent to which the public benefit element is present in all state expenditures (3).

Third: Fundamentals and Rules of Spending

First: The rule of utility:

Government spending should primarily aim to achieve the maximum possible social benefit. Therefore, the state is prohibited from spending on matters from which no benefit is expected. The concept of benefit derived from state spending is not limited to marginal productivity and the income generated from it, but rather includes all benefits that can be generated by funds spent on the unemployed in the form of subsidies. This also applies to funds spent on increasing and improving the quality of production. Second: The rule of economy:

This includes avoiding wasteful public spending, because the justification for spending is the social benefit it achieves.

Benefits are not achieved through wasteful spending, such as increasing the number of employees beyond the need for them or...

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(1) Hilmi Majeed Muhammad al-Hamdi, In Public Finance, The Open University for Printing and Publishing, Tripoli, 1992, p. 67.

(2) Khaled Shahada Al-Khatib and Ahmed Zuhair Shamiya, Foundations of Public Finance, 1st ed., Wael Publishing House, Amman, Jordan, 2003, p. 79.

(3) Yahya Qasim Ali Sahl, Al-Sahl in Public Finance and Yemeni Tax Legislation, National Library, Aden, 2000, p. 24.

Unnecessary transfers between them for reasons other than the public interest, and excessive spending on appearances in government departments. Avoiding wasteful public spending requires cooperation and concerted efforts, as well as public oversight to uncover this, in addition to administrative and parliamentary oversight. However, this does not mean stinginess, because stinginess in public spending that leads to achieving a significant social benefit is incorrect. Economy, on the other hand, means spending the necessary amounts on the basic and essential elements of the subject. Spending on a necessary economic project requires the necessary funds, but the luxuries and decorations within it are not necessary and can therefore be avoided (1.(

Third: The authorization rule:

This means that the expenditure is disbursed by a public body with public funds. Therefore, this public body must obtain permission from the competent authority, because spending to satisfy a public need that achieves benefit can only be done by law. After that, it does not matter whether the competent authority determines public expenditures, or Parliament in the central scope, or public bodies with regard to their temporal and spatial jurisdiction. What distinguishes public expenditure from private expenditures is the authorization rule, because it is either subject to Parliament in the central scope, or to the permission of the competent local bodies if it falls within their jurisdiction. Private expenditures are not subject to such procedures (1.(

Third: The economic effects of expenditures: Despite the difference in viewpoints by Economists and jurists, however, have divided the reasons leading to increased public expenditures into two categories:

First: The real increase in public expenditures

This refers to the increase in the real public benefit to individuals and can indicate the extent of state intervention in economic and social life by increasing the average per capita share of public services. The real reasons can be summarized as:

1. Economic reasons
2. Social reasons
3. Political reasons
4. Administrative reasons
5. Financial reasons

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1. Muhammad Fuad Ibrahim, Principles of Public Finance, Egyptian Renaissance Library, Cairo, undated, p. 21.

Second: The apparent increase in public expenditures

The apparent increase in public expenditures refers to an increase in public expenditures, but the per capita share of public benefit remains unchanged. The apparent increase is attributed to the following reasons:

1) The increase in prices and the decline in the purchasing power of money associated with the increase in public expenditures.
2) The difference in the financial art

2. The expansion of the country's territory or the increase in its population

The real increase in the size of public expenditures refers to the increase in the real benefit to society and the resulting Regarding these expenditures or the increase in the average per capita share of public services, the real increase in public expenditures indicates increased state intervention in the economic, social, political, and other aspects of life. We can identify the most important reasons leading to the real increase in public expenditures as follows:

A- Growth in National Income:

The increase in national income rates helps increase public expenditures, as the increase in returns received by the owners of the elements of production, which together constitute the national income, enables the state to obtain a certain percentage of these returns (incomes) through taxes, fees, and other means, enabling the state to meet its increasing expenditures. In other words, there is a direct relationship between national income and public expenditures (1.(

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(1) Muhammad Fuad Ibrahim, previous source, p. 22.

B- The Spread of Public Projects:

State intervention in economic life has been increasing in most countries, whether through the expansion of existing projects or through the establishment of new ones, for various reasons, including contributing to an increase in the supply of goods and services essential to society, the production of which is monopolized by the private sector or unwilling to produce due to their lack of profitability or because their production requires significant financial resources that the private sector is unable to provide. Consequently, public expenditures increase (2.(

➢ Population Increase and Migration to Urban Areas:

The increase in population and the increased rates of migration from rural areas to cities and industrial centers inevitably lead to increased government spending, as the state cares for a larger number of individuals, especially in areas with high population growth rates. Furthermore, the increase in the proportion of urban residents, due to population growth and migration to urban areas from rural areas, requires a higher proportion of public expenditures allocated to cities compared to expenditures allocated to rural areas. This is due to the process of expanding the size of cities, on the one hand, and the nature of life there, on the other, requiring higher costs for providing public services. Furthermore, urban life requires additional services that rural life does not require. Perhaps the evidence for this is the increase in The population of a given city and its expanding size lead to an increase in the per capita share of public expenditures (1).

(1) Riyad al-Sheikh, Public Finance, Dar al-Nahda al-Arabiya, Cairo, 1969, p. 60.

(2) The same source, p. 60.

B- The Evolution of Social Awareness:

The state's evolution from a guardian state to an intervening state, then a productive state, has been reflected in all aspects of its activities, particularly the social aspect, including social awareness. It has become one of the state's duties to raise the standard of living for groups with specific incomes in particular, and for other segments of society in general. This is achieved through expanding the provision of public services, particularly education, health, transportation, etc. The state has also become responsible for providing cash subsidies to address illness, disability, old age, and unemployment. In addition, the state often resorts to providing subsidies to certain producers, particularly those producing basic commodities, with the aim of reducing their prices and enabling the poor to obtain them (2). Regionalism has lower expenditures than governments that transcend regional borders into the broad realm of nationalism and contribute to assisting developing sister countries. Furthermore, a state that carries a humanitarian message and contributes to liberation movements has greater public expenditures compared to other states that do not adopt these positions. Furthermore, the spread of democratic principles and systems, the growth of responsibility and concern for low-income social groups, and the effort to provide them with essential services, in addition to the multi-party system.

(1) Rifaat Mahjoub, Public Finance, Dar Al-Nahda Al-Arabiya, Cairo, 1971, p. 32.

(2) The same source, p. 3

Public expenditures are influenced by the nature of the prevailing government and the political ideas it embraces. A government defined by political boundaries may push the state to increase social projects to gain voter approval, which results in increased public expenditures. International cooperation, the state's participation in international and regional organizations, and the expansion of its foreign representation also incur significant expenditures on the budget (1). The development of the state's role and its increased intervention in economic and social life have resulted in an increase in the number of public institutions, departments, and facilities, followed by an increase in the number of employees and workers, an increase in their operating costs, and consequently an increase in public expenditures. However, the increase in the number of employees beyond what departments require, poor administrative organization, the lack of cooperation and coordination in work between departments, and the complex routine contribute significantly to the increase in public expenditures. (2(

(1) Atef Sedky, previous source, p. 90.

(2) Adel Ahmed Hashish, Public Finance Economics, University Culture Foundation, Alexandria, 1983, p. 98.

Section Two

The Theoretical Framework for Economic Development

Economic Development

First: The Concept of Economic Development:

It refers to the process in which all people in localities, from all sectors, participate and work together to stimulate local economic activity, resulting in a resilient and sustainable economy. It is a process that aims to create good jobs and improve the quality of life for all people, including the poor and marginalized (United Nations definition.(

The process of local economic development encourages stakeholders to establish a genuine partnership between the public sector, the private sector, and civil society organizations with the aim of cooperating to find local solutions to the general economic challenges they face.

LED, which stands for Local Economic Development, seeks to empower and support local participants to effectively leverage the local business sector, capital, and available and potential local financing sources to achieve local goals and priorities, primarily related to achieving: (1)

1. Promoting high-quality jobs.
2. Reducing poverty.
3. Finding outlets for collecting local taxes transparently, rather than the current excessiveness.

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(1) Muhammad Safwan, Economic Development, Dar Afak, Beirut, 1998, p. 179.

The use of public appearances to restrict the tax register has led to financial corruption and enrichment in many aspects of this sector at the expense of any real local development.

4. Moreover, LEED, and its local practitioners with various orientations, will enable them to gain extensive knowledge, expertise, and qualifications to achieve sustainable results. (1)

It also represents a practical, not prescriptive, strategy that encompasses many aspects, including:

- It seeks to achieve and stimulate local values in a way that enables them to confront growing economic and social challenges such as poverty, basic needs, and local jobs.
- Economic motives, represented by increasing the added value of local production, training and empowering local skills, raising local income levels, local cooperation, and increasing economic ties between local activities, whether primary or supporting.
- Achieving development. By development, we mean structural change in the quality of life.

All of the above clearly indicates that LED does not aim to provide a quick fix or generate a detailed wish list. Rather, it requires a realistic understanding of what any local area is doing and what it can offer or do, including areas of weakness, need, threats, and available external opportunities, in addition to its local needs. (2(

Local economic development aims to identify regional economic facilities, which...

(1) —Muhammad Safwan, previous source, p. 392.

(2)The same source, p. 293.

Competitive advantages and opportunities for cooperation are included. The success of LED depends on the existence of a business environment "in which markets operate efficiently and consistently within a local framework." In most local areas, especially in developing countries and even those in transition, we find that small and medium-sized enterprises must receive sufficient and effective support to assume their leading role as a center of growth, not only immediately, but also sustainably. This is achieved by creating and establishing several other productive links that work and help generate a high momentum of economic interconnection with other projects or activities, even if only in the short term. (1(

Here, we can say that focusing on a specific project that addresses a critical issue can pave the way for success in bringing about long-term change, as it takes longer to adapt and adjust to changing local circumstances and public moods, and to build the capacity to organize partnership processes and support participants, especially the poor. Second: Economic Development Programs

First: Local Development and Poverty Reduction

It has become customary to address the issue of poverty as a normal, familiar economic and social phenomenon present in all societies and at all times, albeit to varying degrees.

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(1) Saeed Jafri, The National Initiative for Human Development, The literature is replete with references to the poor and the rich, and religions are not without mention of the duty of the rich towards the poor, considering poverty and wealth a trial for the former and a test for the latter. (1(

During the second half of the twentieth century, there was much

discussion of poverty and the poor in the literature of the United Nations, expanding from a social phenomenon within a single society to a global phenomenon, by classifying countries into rich and poor, and by defining measures and indicators of poverty at the level of countries as well as individuals, taking into account relativity. The poor in Africa are not measured by the same standards as the poor in North America. (2(

Thus, interest in the phenomenon of poverty expanded from the economic and social sphere within a given society to the sphere of international relations. Is there anything in this expansion that justifies linking the phenomenon of poverty to human rights in their modern sense? Second: Economic Development, Globalization, and Poverty Reduction

Globalization has had a significant impact on the world's economic development map. Undoubtedly, its effects on the domestic market of any country have been significant and influential, especially when it comes to emerging economies. This is due to well-known reasons, including the rapid spread and increasing expansion of global economic ties and intense competition.

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(1) Abdul-Mutti Muhammad Assaf, Development Administration, 1st ed., Kuwait, 1988, p. 265.

(2) Muhammad Al-Rifai, Government Administration, Management and Development, 1st ed., Kuwait, 1999, p. 266.

The development of the market economy, particularly after the failure of socialist systems, led to what became known as globalization, characterized by the intertwining of interests and international relations, particularly in the economic sphere. It then spread to almost all fields as a seemingly natural consequence of the technological and information revolution. (1).

Its pace has accelerated in the last decade, and wealthy countries have raised a slogan that has often been presented as an almost magical solution to the issues of backwardness and poverty in the world, thanks to the proclamations of increased growth rates and the achievement of development for all.

However, there is a vast difference between the slogan and reality, as all reports confirm the opposite. Globalization has only benefited the rich, with the exception of twelve developing countries that have actually benefited from it. During this period, i.e., since the beginning of the 1990s, as globalization accelerated, global GDP declined, the gap between rich and poor countries widened, and the number of poor people in the world increased, exceeding two billion people.

Their numbers have increased even in the richest countries, such as the United States, as a result of unequal distribution. In 2001, the number of poor people rose from 32.9 million to 34.6 million, an increase of 1.7 million in a single year. Experience has shown that achieving growth does not necessarily lead to achieving human development unless it is accompanied by relatively equitable distribution.

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(1) World Development Report, Overview, 2009, 1

Humanity achieved a respectable overall growth rate in the 1980s, but this did not prevent an increase in the number of extreme poor people during the same period, estimated at 100 million new poor people. (1(

Globalization has had a significant impact on the world's economic development map. Undoubtedly, its effects have not remained so, but have extended to include the local markets of any country. It was once significant and influential, especially when it comes to emerging economies. This is due to well-known reasons, including the rapid spread and increasing expansion of global economic ties and intense competition. Among the reasons that are usually unknown to non-experts, because they are among the most hidden factors impoverishing developing countries whose economies depend, in particular, on agricultural products and some manufacturing industries, is the customs protection practiced by rich countries against developing countries' exports, particularly the financial support they provide to their farmers so that their agricultural products can compete with developing countries' exports. The amount of this support has reached a staggering figure, approaching one billion dollars per day. (2(

Third: Characteristics of Economic Development

Economic development is characterized by a set of characteristics, including:( )

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(1) Yaslam, Awad bin Awad, "The Determining Factors of Gross Investment Growth and Its Role in the Development Process in the Republic of Yemen for the Period 1970-1994," unpublished master's thesis, College of Administration and Economics, University of Mosul, p. 34.

(2) Al-Fahdawi, Khamis Khalaf Musa, and Radi, Mazen Issa, "Economic Development," Dar Al-Kutub wal-Watha'iq, Baghdad, Iraq, 2000, p. 10

1. Focusing on achieving development goals based on appropriate work strategies aimed at achieving the desired economic growth rate.
2. Focusing on improving and developing the internal environment of society and the country's private economic sector.
3. Relying on self-reliance in economic efforts to achieve economic development that enhances the implementation of planning in governments and economic institutions

concerned with continuously monitoring economic growth.

4. Ensure the exploitation of resources and capabilities that enhance the role of industry, agriculture, and local trade, as economic reality requires, utilizing the means and tools that enable the advancement of all types of businesses.
5. Leverage technology and advanced electronic devices: These provide appropriate support for economic development by investing in diverse scientific and cognitive capabilities and energies, contributing to the development of many fields, most notably research and education. Casablanca Publishing House, Morocco, 2007, p. 67.

Fourth: Economic Development Indicators

A set of methods and indicators are used to measure the success of economic development in a society, the most important of which are:

1. Gross National Product (GNP): Abbreviated as GNP. Calculating the value of this product is one of the indicators used to measure economic development in countries. It indicates the value of services and goods produced based on the influence of various economic factors over a specific period of time, forming part of the country's overall production.
2. Gross Domestic Product (GDP): Abbreviated as GNP. Calculating its value is a common method with calculating the gross national product (GNP). It helps identify the nature of the success of economic development in a country, as it indicates the value of goods and services produced and used in trade within the commercial market, subject to the usual buying and selling processes.

Section Three

Analysis of Public Spending and Its Impact on Economic Development in the Iraqi Economy

Although the Iraqi economy is distinguished by its diverse resources, it has continued to suffer from the dominance of the oil extraction sector over the gross domestic product (GDP). The economic policies adopted over the past decades have been a reason for the failure to achieve development. The economy, because of its comprehensiveness, which lost the ability of public spending and productive sectors to significantly influence economic development indicators, especially the gross domestic product, due to the low economic efficiency in most public sector departments, has led to the backwardness of the production sectors. Public spending is considered the powerful tool used by the government to influence the level of economic activity through the impact that this spending has on aggregate demand. Government spending has gained its importance from its contribution to national income in most developed and developing countries, as public spending is the best and most powerful means of reducing income disparity by providing public expenditures in the form of cash grants, or social goods and services and free subsidies at less than the cost, all of which certainly affect income distribution. In addition, there are public expenditures that may benefit a small number of segments of society, or their benefit may benefit society as a whole. Public spending may be productive in the areas of production and services, while unproductive spending is spending that does not It leads to any increase in goods and services, but does not lead to any improvement in the standard of living. From the above, we can say that spending has an impact on all economic variables through its impact on the material strength of production, which constitutes the productive capacity.

First: The Impact of Public Spending on Economic Development in the Iraqi Economy for the Period (1990-2015(

Government spending in Iraq followed an increasing trend during the research period, with the exception of some years characterized by exceptional circumstances. We note that changes in public spending were a direct result of the circumstances experienced by the Iraqi state, including wars and international sanctions and their resulting negative effects. Government spending is considered the most important tool in Iraq due to the rentier nature of public revenues, as well as the continued interventionist economic role of the state in influencing economic activity.

By reviewing the nature of public spending during the research period, it becomes clear from Table (1) that public spending began to increase in 1990, reaching ($236,316.6) million. This increase in public spending continued to reach $68,954.5 million in 1993. The reason for this increase was the economic sanctions and military wars that Iraq experienced, which led to a continuous increase in spending. It is noteworthy that the gross domestic product (GDP) fluctuated significantly during this period (1990-2015), reaching $29,711.1 million in 1990, which negatively impacted the country's economic situation. This severe fluctuation in the gross domestic product (GDP) during the 1990s was due to the unstable economic conditions that the Iraqi economy experienced.

Public spending then declined in 1994, reaching $36,328.2 million, and the GDP reached $19,164.9 million. Public spending then rose again in 2001, reaching $47,522.5 million. This decline and increase during this period are due to fluctuations in revenues. Oil prices and the excessive increase in the money supply, such that total spending exceeded the actual supply of goods and services, confirming the inability of economic policymakers to control spending. The main reason was the increase in consumer spending.

GDP in 2001 reached $43,335.1 million. Fluctuations in GDP are governed by fluctuations in oil revenues, which depend on global prices and production quantities, which were subject to economic and political conditions. GDP values then improved after oil exports were permitted in exchange for food and medicine in 1996. However, GDP values soon declined again in 2003, reaching $26,990.4 million for the reasons mentioned above. It was also noted that GDP increased in 2004 to $41,607.8 million, and total public spending also increased to $364,325.6 million due to improved economic conditions.

In 2014, GDP values increased to $364,325.6 million. In 2015, public spending amounted to about (393,139.7) (243,588.3) million dollars, due to the government’s efforts to achieve general goals for all citizens, which led to an increase in spending, and this increase is due to the rise in oil revenues (). The most important thing that distinguishes the period from (2003-2015) is the lifting of economic sanctions, the increase in the production capacity of Iraqi oil, the rise in oil prices, and the budget’s dependence primarily on oil revenues, which shows us the reality of the Iraqi economy as a rentier economy. It is clear that the gross domestic product took an upward trend during the period extending (2013)

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(1) Maitham Khadir Jawad Al-Yasari, "Fiscal Policy in Light of Oil Shocks (Saudi Arabia and Iraq) A Case Study," unpublished master's thesis, University of Karbala, College of Administration and Economics, 2016, p. 7.

(2) Ministry of Planning and Development Cooperation, Iraqi Economic Report for 2012, p. 52

Walid Ismail Al-Sayfo and others, "Fundamentals of Analytical Econometrics"

We previously concluded that the value of Iraq's GDP is subject to numerous factors, including economic, social, and even political factors.

Table (1) shows total public spending and GDP in Iraq for the period (1990-2015)

Spending GDP	Total Public	Years
29711.1	236316.6	1990
10682.0	97205.5	1991
14163.5	99645.4	1992
18453.6	68954.5	1993
19164.9	36328.2	1994
19571.2	25843.9	1995
21728.1	24197.9	1996
26342.7	21955.7	1997
35525.0	29068.1	1998
41771.1	28991.6	1999
42358.6	40045.4	2000
43335.1	47522.5	2001
40344.9	66362.8	2002
26990.4	28552.5	2003
41607.8	364325.6	2004
43438.8	218449.6	2005
47851.4	209756.7	2006
48510.6	161249.4	2007
51716.6	239035.2	2008
54721.2	271818.3	2009
57751.6	283387.7	2010
63650.4	369883.5	2011
70201.3	422614.8	2012
76922.0	421986.3	2013
75581.3	393139.7	2014
42835.0	243588.3	2015

Source

- Ministry of Planning, Central Statistical Organization, various publications.
- Central Bank of Iraq, various publications.

Section Four

Measuring the Impact of Public Spending on Economic Development in the Iraqi Economy for the Period (1990-2015(

First: Model Description: The model description stage is one of the most important and difficult stages of constructing a standard model. A model is generally defined as a simplified symbolic representation of reality, while an economic model is defined as a set of economic relationships usually expressed in a mathematical formula called an equation. In this stage, economic theory is used to transform the relationship between variables into mathematical equations using symbols.()

In this stage, the model variables will be determined. The researcher defined the variables as (GDB) as the dependent variable, the independent variable as (TE) as public spending, and (BO) as the random variable, as shown in the following equation:

Table (2) Independent and Dependent Variables

Variable type	The symbol	variable
independent	TE	public spending
continued	GDP	gross domestic product

-Source: Prepared by the researcher

Second: Model Measurement and Analysis

A- Stability Testing of Time Series

A time series is defined as the number of statistical observations that describe the change in a phenomenon over time. Therefore, it is a statistical tool used to analyze a phenomenon over time, understand its behavior and trends, predict its parameters for a future period, and verify whether the phenomenon is subject to cyclical or seasonal fluctuations, as a basis for future planning.

For a time series to be stable, three conditions must be met:

- Stability of average values over time.
- Stability of variance over time.
- Covariance between two values of the same variable must be dependent on the time gap.

The results show that public spending remained stable at its level, with a categorical and trend correlation, and at a significance level of 10%. Gross domestic product (GDP) remained stable at the first difference, with a categorical and trend correlation, and at a significance level of 5% and 10%, and without a categorical and trend correlation, and at a significance level of 1%, 5%, and 10%.

B - Johansen Integration Test

When estimating a regression relationship between several variables in non-stationary time series, it is possible that the estimated regression relationship between them is a spurious relationship. This is because the change in these variables may be due to another variable, time, which affects them all, making their changes concomitant. In other words, the relationship between them may be a correlation or association relationship, rather than a causal relationship. Although one solution to the non-stationarity of the series is to take the difference, performing the regression on the variables in the form of differences for each one is not the optimal solution, as this procedure may lead to the loss of long-run characteristics. As a result, results have emerged that exhibit both short-run and long-run characteristics, and these results are stable even if The variables were originally non-stationary, and this is the beginning of the concept of cointegration.( )

The Johansson and Johansson-Julius methodology is a matrix rank test, requiring cointegration between time series. To determine the number of integration vectors, two statistical tests based on the Likelihood Ratio (LR) function are used: the trace test and the maximum eigenvalues test.

First: Trace Test

- Null Hypothesis: H0: q=0
- Alternative Hypothesis: H1: q>0

This test aims to examine the properties of the time series for each of the study variables over the observation period, verify their stability, and determine the integration rank of each variable separately ( )

Table (3) Results of Trace Tests for Model Variables

Unrestricted Cointegration Rank Test (Trace)				
	0.05	Trace		Hypothesized
Prob.**	Critical Value	Statistic	Eigenvalue	No. of CE(s)
0.0047	15.49471	21.93307	0.574128	None *
0.2291	3.841466	1.446290	0.058482	At most 1

Prepared by the researcher using the E-views-10 program.

From Table (3), we found that the calculated value reached (21.93307), which is greater than the critical value of (15.49471). Furthermore, the (P) value, or (P-Value), is less than (5%), reaching (0.0047). This gives us the same result, i.e., accepting the alternative hypothesis and rejecting the null hypothesis, indicating the existence of a long-term equilibrium relationship between the independent variables and the dependent variable.

Second: Ungen's test for maximum eigenvalue:

Using the same method used in the effect test, we can test the model's hypotheses in the Ungen test.

Table (4) results of the tests (maximum eigenvalue

Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
	0.05	Max-Eigen		Hypothesized
Prob.**	Critical Value	Statistic	Eigenvalue	No. of CE(s)
0.0046	14.26460	20.48678	0.574128	None *
0.2291	3.841466	1.446290	0.058482	At most 1

Prepared by the researcher using the E-views-10 program.

We note that the calculated value of the Max-Eigen test reached 20.48678, which is greater than the critical value of 14.26460. Furthermore, the P-value reached 0.0046, which is less than 5%. This gives us the same result, i.e., accepting the alternative hypothesis and rejecting the null hypothesis.

C- Model Estimation Using the Vector Autoregression (VAR) Method

The Vector Autoregression (VAR) model is one of the most flexible models for analyzing multivariate time series. It is also a natural extension of the univariate autoregressive model to dynamic multivariate time series.

From the report's results, we find the following:

$$\boxed{GDP_{(-2)} = -0.233858 - 7.40E - 05\ TE_{(-2)}}$$

- The R-squared value was 0.80%, meaning that 80% of the changes in the dependent variable are attributable to the independent variables, and the remaining 20% are attributable to other factors within the random variable.
- The R-squared Adj. value was 0.76, meaning the researcher successfully selected the research variables.

Third: Economic Analysis

Through the estimated equation of the selected standard model, we note that the independent variable, public spending, runs counter to the logic of economic theory. It has an inverse relationship with the dependent variable, gross domestic product. This is due to the imbalance in the structure of the Iraqi economy, the economic sanctions imposed during the research period, and the wars and terrorism that led to a shift in spending toward military spending.

Conclusion

Including: Conclusions and Recommendations

First: Conclusions

1. The limited role played by government spending due to its dependence on the size of resources.

2. The country under study is characterized by a narrow production base, with exports centered on primary commodities and raw materials, making its economy more vulnerable to price fluctuations and global demand.
3. The economic measurement of the relationship between government spending and sustainable economic development demonstrated the significance of the relationship, with the coefficient of determination (R2) reaching 80%.
4. The structural imbalances in the Iraqi economy have led to an inverse relationship between government spending and sustainable economic development.

Second: Recommendations

1. Work to reform various items and aspects of government spending and improve the efficiency of spending management.
2. Correct the imbalance in the productive sectors by intensifying the financial and structural reforms and legislative institutions necessary to advance and diversify these vital sectors.
3. Efficiently and effectively utilize the significant increase in government spending to develop and advance infrastructure.
4. Strengthen policies for the research and development sector and provide appropriate budgets for this purpose.

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