

Governmental policies in Iraq between increasing rentier nature and weak economic diversification and their impact on economic stability for the during (2004-2018)

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ABSTRACT

– During the absence of good government policies in benefiting from the abundance of oil revenues in order to diversify the structure of gross domestic product and repair imbalances as well as diversify sources of income and exports and reduce the rate of economic openness, made the Iraqi economy a fragile, weak and unilateral economy in which oil represents the backbone of life, as well as the limited role of the private sector. In economic activity, the dominance of the government sector, and the expansion of its consumer spending without developing a production base that excludes the Iraqi economy from rentier risks, as well as losing the ability to increase state resources from taxes and other non-oil exports, all of this will contribute to The economy faces constant problems due to the economy's dependence on external conditions and oil price shocks. The research reached a number of conclusions, the most important of which is the absence of government policies aimed at introducing economic reforms that reduce the impact of rentier nature, but there are some interim measures taken in times of low oil prices, as well as the lack of successive governments to benefit from large revenues in rebuilding the agricultural and industrial sectors. Tourism and other sectors despite having great advantages.

key words-- Government policy, rentier economy, rentier state, economic diversification, economic stability, external shocks, oil revenues

I. INTRODUCTION

The complete dependence on the oil sector as a main source in the gross domestic product, public revenues and exports has led to significant distortions and apparent imbalances in the structure of the Iraqi economy and this has led to a deepening of the rentier nature and weak ability to diversify income sources, and successive governments have not taken any policies aimed at reducing dependence on Oil in order to reduce the effects of rentierism, bring

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about structural reforms and achieve economic diversification. Rather, the nature of these policies depends on directing the possibilities towards increasing oil sector production and leaving the rest of the economic sectors without any development, despite the existence of great capabilities within a cat Agriculture, industry, tourism and other sectors that can be used to bring about fundamental changes that keep the Iraqi economy away from external shocks, and the dominance of the government sector on economic activity must be reduced and the private sector is allowed to take its role in some sectors and a broad partnership can be built between the public sector The private sector in order to support and develop the private sector to be able to rise and take its real role in managing economic activity, but the continuation of the situation as it is now is absolute dependence on the oil sector and the deliberate neglect of economic reforms in order to achieve the benefits of the Hopefully, the ruler is at the expense of economic goals, and this will create a continuous state of instability in economic growth, exchange rates and the budget, and thus failure to achieve economic stability in a sustainable manner.

The research problem is that the absence of real economic policies in the field of achieving structural reforms led to a significant deepening of rentierhood as well as continued dependence on exports and oil revenues without seeking to achieve economic diversification, and these conditions will make the Iraqi economy in front of continuous risks and then an irregular state of economic stability.

The research is based on the hypothesis that deepening rentier nature and weak economic diversification due to the absence of economic visions and effective policies has a negative impact on economic stability in Iraq.

The first axis: theoretical rooting of research variables

1- Governmental policies

Government policy, which is a set of principles, means the procedures and means that the government follows in order to bring about important changes within the social system of the state, or is the programs that the government follows within the framework of the philosophy of the political system in order to achieve a specific goal. (Al-Tamimi, 2012: 168) It was also known as the method used by the political system to achieve its goals and objectives, and that reflects the balance of forces affecting the political system, (Awad, 2009: 391). The political and its exercise of the economic role in order to achieve the economic goals that are most important to reach. That is, the government uses a set of measures to reach a number of economic goals, the most important of which are:

- a. Achieving a high rate of employment or employment in order to achieve a state of economic stability through the efficient use of economic resources, including work. (Abdel-Qader and Ahmed, 2005: 42)
- B. Achieving high and stable economic growth in order to improve the society's standard of living by increasing the average per capita income and increasing the welfare of the community. (Yunus et al., 2000: 48)
- C. Achieving stability in the general level of prices at acceptable levels so that the increase in the rate of inflation is not higher than the increase in the average per capita income so as not to lead to a decrease in real income. (Al-Jubouri and Hussein, 2018: 86)
- Dr. Achieving stability in foreign exchange rates and balance in order to maintain the state's relationship with the outside world that is affected by the exchange rate, as well as to maintain a balance of payments position in the interest of the country. (League and Samurai, 2006: 188)
- e. As for developing countries, the governmental economic policy seeks to achieve real economic development and the development of economic sectors, as it must achieve economic development and the development of economic

sectors and achieve economic diversification away from the unilateral (rentier) economy that prevails in most of these countries.

The government can achieve these goals by using its economic tools or economic policies (fiscal policy, monetary policy, investment policy, exchange rate policy, income policy, etc.).

Rentier economy and rentier state

The rentier economy means that it is an economy that relies on external rent and that constitutes the largest percentage of its income and contributes to generating this rent for the majority of the population. The manufacturing sector, agriculture and other sectors. (Al-Shammari and Jiyad, 2018: 145), as some countries depend on a specific economic activity, such as tourism, for example, and the majority of the population works in this activity.

As for the rentier state, the state dominates the main sources of national income, especially that its activity is linked to external conditions and its fluctuations, regardless of the production capabilities of that source. This rent generates a small percentage of the workforce. Expansion in consumer spending versus weak sectors of the economy in financing tax revenues is a distinctive feature of the state. Rentier, as public spending is directed towards subsidizing salaries and wages, financing government consumer spending, and financing support for some forms of economic activity that drains a large proportion of economic resources. (Saleh, 19: 2010)

Within the framework of the relationship between the rentier economy and the rentier state, there is an interdependent relationship between them, as the rentier state can lead to the creation of a unilateral rentier economy, as the relationship is determined by the presence of an external revenue source that constitutes a high percentage of the revenue generated in the state and is the main source of economic activity, While the state acquires rentier revenues and these countries are characterized by the size of the state and the armed forces as well as the domination of external rent over the sources of income ((Abdullah and Jabbar, 2017: 275) also, government spending increases without the need to impose taxes as well as the weak production system outside Rentier sector and Ememp rentier exports (such as oil, for example) on a large proportion of total exports, as well as not to invest oil revenues in the development of the productive capacity of society. (Al-Shammari, 2010: 35)

The oil sector is characterized by a high capital intensity with a decrease in the number of manpower in this sector. Therefore, the role of this sector in addressing the problem of unemployment will be limited, as well as the weakness of other sectors in generating job opportunities because oil exports generate foreign currency incomes and then will affect the value of the currency The local value increases, and this will lead to a rise in the prices of the local goods intended for export. The demand for them will decrease and the prices of the external goods become low, so the imports increase. This will lead to a deterioration of the national production and an increase in the unemployment rate. This is called the Dutch disease. (Al-Musawi: 2018: 103)

The deepening of the state's sponsorship in any country will create a set of adverse effects on its economy, among which are the following (Al-Khayat and others, 2016: 139-143): -

a. The low efficiency of economic policies, as the availability of natural resources in these countries and in large quantities hindered the process of economic development due to the inability of economic policy makers to develop and implement effective economic policies due to several reasons, including full dependence on the oil resource, which is characterized by continuous fluctuations and this exposes these countries to Severe economic shocks would weaken the effectiveness of economic policies, as well as the weak legal and institutional structure

that can contribute to the implementation of these policies as well as the inefficiency of government spending in achieving the required goals.

B. Imbalance of the public budget structure, as rent revenue forms the largest part of public budget revenue with the decline in the importance of tax revenue and the lack of direction of countries in diversifying sources of revenue for easy access to rent revenue, and this is not limited to the revenue side, but exceeds it to the side of expenditures as public expenditures are characterized by high rates of addition Concerning that the percentage of consumer spending is greater than public spending, with a low rate of investment spending, this is contrary to what exists in other countries that do not have the sources of revenue generation, as taxes constitute the most important and largest part of public revenue with the diversity of sources Other vinegar as well as a high proportion of investment spending.

C. Imbalance of the economic structure and this is one of the characteristics of the rentier economy due to the domination of the revenue-generating sector (the oil), as its economy is unilateral, meaning that the rest of the economic sectors are inactive, weak and marginal, and then the oil sector will generate the greatest added value with the decrease in the added value generated from other sectors .

The rentier state often results in a weakness in the policy of economic diversification of economic resources due to the dependence on the rent resources achieved by it and thus does not need to seek to diversify the resources despite the importance of this policy and its role in the possibility of achieving sustainable economic development away from external shocks that are often associated with shocks Prices for these resources on the world market.

Economic diversification can be defined as a policy aimed at diversifying sources of income by adopting a balanced policy for economic development based on the thoughtful integration and development of economic sectors (Ghaylan, 2007: 33). Economic diversification has also been defined as reducing dependence on one sector, diversifying exports and creating new sources of income. Non-oil and reducing the size of the public sector in order to ensure access to stable and sustainable revenues (Assaf and Awwad, 2014: 467) or is an economic policy of a strategic nature that aims to expand the economic base in order to establish the pillars of a real economy consisting of a productive, financial, service and economic base May contribute to the diversification of the state's revenues and the increase in its sources (Maalah and Ahmad, 2015: 45)

The definitions that dealt with the concept of economic diversification differed as they were defined from more than one angle, and we can define economic diversification as the latest fundamental structural changes in the structure of national production and reduce dependence on one economic resource as a main source of income in order to reduce the risks of external economic shocks and achieve stable economic development (economic stability)) Away from external influences. The policy of economic diversification is necessary and with a high degree of importance and can be represented by a set of indicators represented by the diversity of the structure of local production or the percentage of the contribution of economic sectors to the gross domestic product as well as the structure of exports and components of fixed capital formation to distinguish between the contribution of the government and the private sector or it can be distributed According to economic sectors, as well as the structure of public revenues and the proportion of tax revenue in total revenue, as well as other indicators related to employment.

3- Economic stability

Economic stability is a goal that all countries seek to achieve, as economic stability is defined as maintaining the state of the national economy through state intervention through its economic policies to reduce economic problems such as inflation and unemployment, (Abdel-Hussein, 2009: 8) and he also knew that policies aimed at achieving full employment. The full operation of resources, the achievement of stability in price levels, and the achievement of stable and sustainable economic growth (Abdul Qadir and Ahmad: 2005: 40). We conclude from this definition that indicators of economic stability are represented by inflation, unemployment, and economic growth, as well as stability in foreign currency prices. Economic stability was defined as reducing fluctuations in real output or price levels or real consumption in light of the random economic shocks to which the country is exposed, (Al-Ghalibi, 2011: 105). We can know economic stability as an economic situation in which the economy is stable at the internal and external level and in which Unemployment and inflation rates are at their normal levels with acceptable economic growth and the state interferes with its economic policies to achieve this.

Countries often use economic policies such as monetary, financial, trade and other policies to achieve this goal, but they often face great difficulties in achieving economic stability, especially rentier countries, as these countries are often vulnerable to external shocks and fluctuations in oil prices, which is the main resource for the economies of these countries and therefore. The fluctuations in oil prices threaten economic stability and make the task of economic policies more complicated in achieving this goal, and Iraq is one of these countries that are constantly exposed to oil price shocks and that greatly affect the economic situation and make Discourage complex economic policies, with high economic costs in achieving economic stability.

The second axis: - Analysis of some indicators of rentierry and economic diversification

1- The development of the gross domestic product and the relative importance of the oil sector in Iraq

By using table (1) that shows the development of the gross domestic product in Iraq and the percentage of the contribution of the economic sectors (oil, agriculture, industry), and from it we notice that the gross domestic product in Iraq in the year 2004 reached (53235.4) billion dinars, then grew in 2005 with a growth rate of (38.13%) and continued to grow in the following years until 2009, which witnessed a decline in output with a growth rate of (-16.8%) due to the mortgage crisis that affected the decline in oil prices, the output returned growth with varying rates of growth in the period 2010-2013, but by 2014 In 2015, the output witnessed a decline, again, at rates of (2.62 - 26.93%), respectively, and this decline was due to the decline. Z sharp in oil prices in world markets, as well as internal events and the occupation of some Iraqi cities and accompanied by a great war on terror, then saw the years 2016- 2018 growth recovery again mixed growth rates improved after oil prices.

- The oil sector, when tracking the contribution of the oil sector to the GDP, we notice the significant imbalance in the structure of the gross domestic product, as the proportion of the contribution of the oil sector to the gross domestic product in 2004 (57.96%) and the dominance of the oil sector continued at a rate that exceeded 40% over the period 2004-2014 in When it decreased to (32.09%, 34.43%, 39.46%) in the years 2015-2017 due to the deterioration of oil prices, but in 2018 the proportion of the oil sector increased to (47.12%) and this shows the size of the imbalance and the deepening of the state's rentals without the benefit of public policy from the effects of these imbalances And not seeking to reform the structure of gross domestic product and develop the contribution of other economic sectors and others C from the rentier nature and keeping the economy away from the ongoing

external shocks despite the severity of some of these shocks on economic activity, but once this crisis is over, the general policy and the ruling class return to practicing the same previous policies.

- The agriculture sector from table (1) We note the low contribution of the agricultural sector, as it reached in 2004 (6.94%), but this percentage continued to decline throughout the period 2004-2018, as its contribution to the GDP in 2018 reached (2.52%), and the continued decline is due to Several reasons, including the open door policy, as for agricultural commodities, which have affected the sector significantly, as well as the decline in government support to farmers, and all of this reflects the large deficit in the government policy intended to not develop this sector despite the availability of great potentials that can be employed in achieving self-sufficiency as well as the possibility Export of surpluses, and this can contribute to reducing the size of the imbalance T and diversify sources of income.

- The manufacturing sector suffers from a severe deterioration in its contribution to the gross domestic product, as its contribution to output in 2004 was (1.76%) and the contribution of this sector continued to be within the lower limits for the period 2004-2018 as it did not exceed (3%) at all, and this reflects Non The existence of any policy for the development of this sector, as there are tens of thousands of industrial projects stalled due to the random policies that affected this sector, as the economic openness contributed to disrupting the national industry due to the policy of commodity dumping at low prices and less than the cost of local production and this makes our industries have no capacity To compete with imported goods, the government also secures its purchases of some goods through imports despite the existence of national production due to the spread of corruption in concluding deals and the weakness of the government in fighting this, as the ratio of the manufacturing sector's contribution to the gross domestic product J in 2018 (1.97%.)

Table (1) Evolution of GDP and the relative importance of some sectors for the period 2004-

Year	The gross domestic product is one billion dinars	growth rate %	The output of the oil sector is one billion dinars	The relative importance of the oil %sector	The output of the agricultural sector is one billion dinars	The relative importance of the agricultural %al sector	The output of the manufacturing sector is one billion dinars	The relative importance of the services %sector
2004	53235.4		30856.0	57.96	3693.8	6.94	937.7	1.76
2005	73533.6	38.13	42529.2	57.84	5064.2	6.89	971.0	1.32
2006	95588.0	29.99	53030.9	55.48	5569.0	5.83	1473.2	1.54
2007	111455.8	16.60	59274.3	53.18	5494.2	4.93	1817.9	1.63
2008	157026.1	40.89	87521.2	55.74	6042.0	3.85	2644.2	1.68

2009	130643.2	-16.80	56563.8	43.30	6832.6	5.23	3411.3	2.61
2010	162064.6	24.05	73569.9	45.40	8366.2	5.16	3678.7	2.27
2011	217327.1	34.10	115999.4	53.38	9918.3	4.56	6132.8	2.82
2012	254225.5	16.98	127225.7	50.04	10484.9	4.12	6919.4	2.72
2013	273587.5	7.62	126445.2	46.22	13045.9	4.77	6286.0	2.30
2014	266420.4	-2.62	117445.7	44.08	13128.6	4.93	4999.2	1.88
2015	194681.0	-26.93	62480.8	32.09	8160.8	4.19	4234.7	2.18
2016	196924.1	1.15	67796.9	34.43	7832.0	3.98	4436.4	2.25
2017	225722.4	14.62	89065.1	39.46	6598.4	2.92	4819.9	2.14
2018	251064.5	11.23	118298.2	47.12	6322.7	2.52	4933.4	1.97

Reference :

- Ministry of Planning, Central Statistical Organization, annual statistical group, various issues.
- Ministry of Planning, Central Statistical Organization, National Accounts Directorate.
- Central Bank of Iraq, General Directorate of Statistics and Research, annual economic report, 2018.

1- Analysis of fixed capital formation in Iraq

This indicator reflects the economic role of the public and private sectors and is one of the indicators of economic diversification, as we notice from Table (2) that the total fixed capital formation in Iraq in 2004 amounted to (2857.81) billion dinars, while the formation of fixed capital for the public sector (2478.72) One billion dinars constituted (87.05%) compared to (12.95%) for the private sector, and this reflects the weakness of the role of the private sector and the government continued to dominate economic activity throughout the period 2004-2017, as the proportion of the public sector in some years exceeded (90%) with the decline in the role of the sector However, due to the severe austerity policies in the period 2015-2017, a significant decrease in the total capital formation The government's role and money decreased to (54.14%) in 2017 compared to (45.86%), but this does not mean the growth of the private sector, as the formation of fixed capital for the private sector has only increased slowly.

The conclusion of this is the dominance of the public sector over the overall economic activity and a marginal role of the private sector and this makes the government unable to diversify sources of income through asylum to the private sector and this is a clear weakness in public policy measures and not to follow any policies aimed at achieving sustainable economic diversification.

Table (2) Formation of fixed capital in Iraq for the period 2004-2018

Year	The total fixed capital formation is one billion dinars	Capital formation for the public sector is one billion dinars	Public sector ratio / total capital %formation	Capital formation for the private sector is one billion dinars	Private sector ratio / total capital %formation
2004	2857.81	2487.72	87.05	370.09	12.95
2005	10182.36	9743.48	95.69	438.89	4.31
2006	16911.15	16013.40	94.69	897.76	5.31
2007	7530.40	6861.04	91.11	669.36	8.89
2008	23240.54	22455.10	96.62	785.44	3.38
2009	13471.24	12083.56	89.70	1387.68	10.30
2010	26252.78	24173.49	92.08	2079.29	7.92
2011	28234.99	25723.08	91.10	2511.91	8.90
2012	38139.87	33274.36	87.24	4865.51	12.76
2013	55036.68	45086.55	81.92	9950.13	18.08
2014	55837.40	41889.62	75.02	13947.79	24.98
2015	50650.57	33838.56	66.81	16812.01	33.19
2016	28703.21	17389.58	60.58	11313.63	39.42
2017	32330.28	17503.54	54.14	14826.73	45.86

Reference

- Ministry of Planning, Central Statistical Organization, annual statistical group, various issues.
- Ministry of Planning, Central Statistical Organization, National Accounts Directorate.
- Ministry of Planning, Central Statistical Organization, Estimated Total Fixed Capital Formation in Iraq, 2017.

1- Analysis of the export structure and the rate of economic openness in Iraq

Table (3) shows the structure of exports in Iraq, and from that we notice that the volume of exports in 2004 amounted to (25877.93) billion dinars, and the rate of oil exports was (99.4%) compared to (0.60%) for other exports, and this reflects the depth of the imbalance in exports and full dependence on oil exports As a main source of income, oil exports continued to dominate a ratio that exceeded (99%) over the period 2005-2018 except for 2009, it decreased to (98.82%) compared to (1.18%) for other exports, and this shows the absence of government policies aimed at bringing about any change in the structure Exports to achieve economic diversification.

The rate of economic openness was very high in 2004, when it reached (106.75%), then it declined to (94.35%) in 2005. This fluctuation rate continued until it reached in 2018 (62.61%), and this increase in the rate of openness will affect national production and inability On competition against imported products, this will weaken local production in order to meet the local need, as well as end any possibility of export and will lead to continued dependence on oil.

Table (3) Export Structure and Economic Opening Ratio for the period 2004-2018

year	The total exports are one billion dinars	Oil exports One billion dinars	Oil exports / total %exports	Other exports	Other exports ratio / total %exports	Imports billion dinars	Economic openness% *
2004	25877.93	25722.75	99.40	155.18	0.60	30952.24	106.75
2005	34811.48	34637.40	99.50	174.08	0.50	34568.51	94.35
2006	44786.63	44448.19	99.24	338.44	0.76	30648.56	78.92
2007	49681.69	49462.06	99.56	219.63	0.44	24542.78	66.60
2008	76025.24	75657.55	99.52	367.68	0.48	42346.73	75.38
2009	46545.17	45994.34	98.82	550.84	1.18	48569.04	72.80
2010	60563.41	60359.25	99.66	204.17	0.34	51380.55	69.07
2011	93226.19	92967.62	99.72	258.57	0.28	55929.51	68.63
2012	109847.23	109501.51	99.69	345.72	0.31	68801	70.27
2013	104669.37	104419.50	99.76	249.87	0.24	70084.76	63.88
2014	97921.73	97708.47	99.78	213.26	0.22	68329.93	62.40
2015	61079.96	60852.55	99.63	227.41	0.37	56485.73	60.39
2016	49144.98	49037.52	99.78	107.46	0.22	40707.52	45.63
2017	68495.33	68238.53	99.63	256.80	0.37	45060.54	50.31
2018	102768.28	102619.29	99.86	148.99	0.14	54425.84	62.61

reference: - Central Bank of Iraq, General Directorate of Statistics and Research, annual statistical bulletin, 2004-2018.

1- Analysis of the general revenue structure in Iraq

Table (4) shows the development of public revenues in Iraq, and from it we notice that public revenues have achieved a continuous increase in the period 2004-2018 with varying growth rates except for the years 2009 which witnessed a decline in revenues with a growth rate of (31.21-%) due to the decline in oil revenues due to lower oil prices as a result The occurrence of the mortgage crisis, as well as a decline in public revenues in the period 2013-2016 due to the decline in oil prices in the global market, as oil revenues constitute a very high contribution rate in the structure of public revenue as it ranged (92- 98%) throughout the period 2004-2014 Against very low rates of tax revenue and other income This indicates the significant imbalance in the revenue structure, the deepening of the rentier side, and the absence of any measures for economic diversification, while the year 2015 witnessed a decline in the ratio of oil revenues to (77.20%).

The rate of oil revenues quickly rose again in the 2016-2018 period, reaching 89.73% in 2018, but it remained a high percentage within the public revenue structure, and the reason is due to a significant drop in oil prices, which necessitated the government searching for other sources of income, so we notice that the revenues The tax rose slightly to reach (8.14%) in 2017 and other revenues also saw an increase to (19.77%) in 2015 and this increase is due to the government raising all kinds of taxes and customs taxes with the start of applying the new customs tariff law as well as raising the fees for services that The government provides them in various fields, however On the disappearance of the impact of low oil prices, we notice that the government abandoned the increase in its non-oil

revenues, for example, we notice that in 2018, the proportion of the contribution of tax revenues and other revenues decreased in 2018 to (5.34%), (4.95%) respectively, and this indicates that the government is seeking temporary treatments When crises occur without continuing this approach in order to bring about real changes and reforms that keep the economy away from external influences, therefore the economy of Iraq will continue due to the deepening of the state's sponsorship and the weak diversification of the fluctuations in oil prices that have begun to increase in recent times due to political conflicts between the main poles in the Globalization and weak coordination among OPEC members and the lack of commitment of member states in the decisions taken in this regard as well as political conflicts between major countries that will be reflected in the oil markets and prices directly.

Table (4) the general revenue structure in Iraq for the period 2004-2018

year	Public revenue is one billion dinars	growth % rate	Oil revenues are one billion dinars	Oil / public revenues ratio	Tax revenue billion dinars	Tax / general %rate	Other revenues are one billion dinars	Other percentage / %general				
2004	982.74	32	627.20	32	98.92	159.64	0.48	195.89	0.59			
2005	502.89	40	22.80	480.07	39	97.47	495.28	1.22	527.54	1.30		
2006	232.35	49	21.55	908.10	46	95.28	591.23	1.20	733.02	1	3.52	
2007	046.70	52	5.72	747.13	50	97.50	228.34	1	2.36	71.23	0.14	
2008	252.18	80	54.19	131.75	79	98.60	985.84	1.23	134.59	0.17		
2009	209.35	55	-31.21	719.06	51	93.68	334.81	3	6.04	155.49	0.28	
2010	521.12	69	25.92	819.67	66	96.11	532.44	1	2.20	169.01	1.68	
2011	998.78	99	43.84	090.21	98	98.09	783.59	1	1.78	124.97	0.12	
2012	466.40	119	19.47	597.08	116	97.60	633.36	2	2.20	235.97	0.20	
2013	767.40	113	-4.77	677.54	110	97.28	876.86	2	2.53	213.00	0.19	
2014	386.62	105	-7.37	072.41	97	92.11	885.13	1	1.79	429.09	6	6.10
2015	470.25	66	-36.93	312.62	51	77.20	015.01	2	3.03	142.62	13	19.77
2016	409.27	54	-18.14	267.06	44	81.36	861.90	3	7.10	280.31	6	11.54
2017	335.96	77	42.14	071.93	65	84.14	298.27	6	8.14	965.75	5	7.71
2018	569.83	106	37.80	619.82	95	89.73	686.21	5	5.34	263.80	5	4.94

reference: - Central Bank of Iraq, General Directorate of Statistics and Research, annual statistical bulletin, 2006-2018.

1- Analysis of components of public expenditures in Iraq

When tracking the development of public spending through table (5), we notice that the development of public spending in Iraq has also witnessed changes in varying degrees. In some years, there has been positive growth, and these years are years in which oil prices were stable and oil revenues are high, but in other years there has been a decline in general 2009, at a rate of (11.51-%). Also, the years 2014-2016 witnessed a decline in various rates after the government adopted austerity policies to counter the decline in oil revenues after the decline in oil prices.

Consumer expenditures formed a high relative importance in public expenditures for the period 2004-2018, as the ratio of consumer expenditures to public expenditures in 2004 reached (90.61%) compared to (9.39%), and this reflects the magnitude of the imbalance in the public spending structure with a weak role of investment expenditures. As for the rest Years, consumer expenditures remained the largest percentage and at varying rates, as the lowest level of consumer expenditures in 2013 was (67.58%) compared to (32.42%), and this increase in the proportion of investment expenditures was due to the government seeking to develop the economy and economic sectors in order to achieve economic recovery, (Salem, 2012: 304) while the years Subsequent, the proportion of investment expenditures declined with the increase in consumer expenditures again, and this shows that the nature of government spending is consumer spending in which employee compensation constitutes more than (40%) of public expenditures except for support and the social protection network, and therefore, weak investment expenditures will naturally affect economic activity The economic sectors as well as the provision of basic services to the citizen, and therefore, there has been no significant change in the level of services provided by the government throughout this period.

When extrapolating the ratio of public expenditures to the gross domestic product, we notice that the productivity of public expenditures in 2004 was (60.33%), but soon fell to (35.87%) in 2005 and the ratio of expenditures to GDP continued to change at different rates but remained low as the lowest rate This percentage was achieved in 2006 it reached (30.10%) and the highest rate was in 2009 it reached (40.24%). In general, the productivity of public spending was low throughout the period 2004-2018 and this is due to exaggeration, extravagance and waste in some spending items, including concessions, allocations and salaries High in some joints of the state, as well as widespread administrative and financial corruption P joints of the state, which is reflected in the over-recording the value of government procurement more than their real value.

Table (5) Evolution of the public expenditures structure in Iraq for the period 2004-2018

year	Public expenditure are one billion dinars	growth rate %	Consumer expenditures , billion dinars	Consumer to public expenditure %s ratio	Investment expenditures billion billion	The ratio of investment expenditures to the %public	Ratio of public expenditure %s to GDP
2004	32.117.49		29102.76	90.61	3014.73	9.39	60.33
2005	26.375.18	-17.88	21803.16	82.67	4572.02	17.33	35.87
2006	33.487.88	26.97	27460.20	82.00	6027.68	18.00	35.03
2007	33.545.14	0.17	25822.10	76.98	7723.04	23.02	30.10
2008	59.403.38	77.08	47522.70	80.00	11880.68	20.00	37.83
2009	52.567.00	-11.51	39476.00	75.10	13091.00	24.90	40.24

2010	64*352.00	22.42	44880.00	69.74	19472.00	30.26	39.71
2011	69*640.00	8.22	56017.00	80.44	13623.00	19.56	32.04
2012	90*374.00	29.77	69619.00	77.03	20755.00	22.97	35.55
2013	106*873.00	18.26	72226.00	67.58	34647.00	32.42	39.06
2014	83*556.23	-21.82	58625.46	70.16	24930.77	29.84	31.36
2015	70*397.52	-15.75	51832.84	73.63	18564.68	26.37	36.16
2016	67*067.44	-4.73	51173.43	76.30	15894.01	23.70	34.06
2017	75*490.12	12.56	59025.65	78.19	16464.46	21.81	33.44
2018	80*873.19	7.13	67052.86	82.91	13820.33	17.09	32.21

Source: - Central Bank of Iraq, General Directorate of Statistics and Research, annual statistical bulletin 2004-.2018

The third axis: - Analysis of the relationship between the indicators of rentiery and economic diversification and some indicators of economic stability

Economic growth is one of the most important indicators of economic stability, and we have previously referred to an analysis of economic growth in Iraq for the period 2004-2018, and it was found that economic growth during this period was unstable due to its impact on oil price changes significantly and that the output structure depends mainly on the proceeds of the oil sector with weak output. Other sectors. Therefore, the nature of growth in Iraq is unstable due to the instability of oil prices. Therefore, the years that witnessed a decline in oil prices, especially (2009, 2014, 2015) in which Iraq achieved negative growth, and therefore the continued dependence on oil rents without introducing economic reforms Real will make the economy For an Iraqi who is constantly exposed to external shocks, and in order to avoid these continuing problems that tamper with the economic stability in Iraq, the great imbalance in the output structure and the development of the main economic sectors, especially the agricultural sector in which Iraq possesses great potential, can be removed and the role of the private sector in rebuilding this sector as well On the industrial sector, as there are many industrial projects that can be benefited from and restarted in cooperation between the state and the private sector, for example through the method of partnership, as well, the tourism sector can play a distinct role in the Iraqi economy because of the privileged Iraq It qualifies him to turn into a tourist country, whether with religious tourism or other types of tourism, and if these sectors are developed in addition to other sectors such as communications, for example, we can reduce dependence on oil, that is, move away from the rentier nature and the events of economic diversification, and then gradually approach the state of economic stability.

As for the exchange rate, which is one of the tools of the monetary policy used by the Iraqi Central Bank to preserve the value of the Iraqi currency through the currency sale window, as it was through this window that the Iraqi dinar exchange rate was improved against the dollar, as the auction price in 2018 reached (1190) dinars per dollar While in the year 2004 (1453) dinars per dollar, the exchange rate in the parallel market witnessed a state of instability in the period 2004-2018 affected by many factors, the most important of which are changes in oil prices and oil revenues, as well as other economic and political factors, and from table (6) It turns out that the exchange rate of the dinar in the parallel market in most years Which did not witness external influences witnessed a positive improvement, while the years in which there was a decline in oil prices witnessed a decline in the exchange rate of the dinar against the dollar, so the rentier nature also showed a clear effect on the instability of exchange rates in the parallel market, while the huge rate as we see From Table (6), the inflation rate witnessed a significant decrease during the period 2004-2018 as the rate of inflation in 2005 was (37.09%), but it began to gradually decrease until the inflation rate in 2018 reached a very low level (0.40%) and this improvement It was the result of the central bank using the window to sell the currency to meet the market demand for foreign currency, and this contributed with interest The value of the local currency went into effect and then the rate of inflation slowed in recent years due to maintaining the exchange rate at (1190) dinars per dollar for the years 2015-2018.

The impact of rentier and weak economic diversification was not only in indicators of economic stability, but their effect was clear and significant in the public budget, as public revenues were characterized by weak diversification and then affected by external fluctuations continuously. In the event of any crisis, government policy resorted to taking some measures to reduce its effects through The increase in other sources of revenue, and after the removal of these effects, the situation will return to what it is. As for the public spending side, the rentier product has a depth of increasing the percentage of consumer expenditures and the extravagance that these expenditures accompany in some of the spending paragraphs and inflation in some of the Another due to corruption and poor oversight.

Table (6) Analysis of some economic stability indicators for the period 2004-2018

year	The gross domestic product is one billion dinars	growth % rate	Parallel exchange rate	growth % rate	Auction exchange rate	Price index 2007 = 100%	growth % rate
2004	53235.36		1453		1453	36.4	
2005	73533.60	38.13	1472	1.31	1469	49.9	37.09
2006	95587.95	29.99	1475	0.20	1467	76.4	53.11
2007	111455.81	16.60	1267	-14.10	1255	100	30.89
2008	157026.06	40.89	1203	-5.05	1193	112.7	12.70
2009	130643.20	-16.80	1182	-1.75	1170	122.1	8.34
2010	162064.57	24.05	1185	0.25	1170	125.1	2.46

2011	217327.11	34.10	1196	0.93	1170	132.1	5.60
2012	254225.49	16.98	1233	3.09	1166	140.1	6.06
2013	273587.53	7.62	1232	-0.08	1166	142.7	1.86
2014	266420.38	-2.62	1214	-1.46	1166	145.9	2.24
2015	194680.97	-26.93	1247	2.72	1190	148	1.44
2016	196924.14	1.15	1275	2.25	1190	148.7	0.47
2017	225722.38	14.62	1258	-1.33	1190	149	0.20
2018	251064.48	11.23	1209	-3.90	1190	149.6	0.40

Source: - Central Bank of Iraq, General Directorate of Statistics and Research, annual statistical bulletin 2004-2018.

From the above it turns out that the source of the fluctuations and instability witnessed by the Iraqi economy is mainly due to weak diversification and deepening rentier nature, and instability will continue because there is no real economic policy or political conviction to undertake economic reforms to remove structural imbalances in the output and budget of foreign trade and this matches the content of the hypothesis that Based on this research.

II. CONCLUSIONS

The absence of any vision or orientation by the ruling political classes to bring about economic reforms in the structure of output, budget and foreign trade, but there are some temporary measures taken in times when oil prices decline and these measures disappear with the disappearance of that effect, as well as the failure of successive governments to benefit from the large revenues that are achieved Of the oil wealth in order to support and revitalize the private sector and rebuild the sectors of agriculture, industry, tourism and other sectors despite having significant advantages in these sectors as well as not to invest oil surpluses in establishing a sovereign fund to support the public budget.

Therefore, Iraq is currently suffering from a strong double shock resulting from the Corona epidemic (Covid 19) and the consequent decline in the level of global and local economic activity and the decrease in demand for oil, and subsequently the price decline, as well as the conflict between Russia and Saudi Arabia, which affected the drop in oil prices to levels Unprecedented and this threatens the government's ability to secure basic expenses, including salaries and wages, so the continued rentier dominance and weak economic diversification as well as the spread of financial and administrative corruption in all joints of the state, all this reflected on the threat to the state of economic stability and the risks of budget deficits and the resulting The expansion of public debt and this creates a new problem, which is the financial sustainability and burden of the country and subsequent generations with new debts, and this risk will continue as long as the dependence on oil, which witnesses continuous and near shocks, occurs.

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