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Interpretation of structural imbalances in the Iraqi economy According to the three-gap model of duration (2003 - 2017)

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Abstract

The Iraqi economy has many economic components and capabilities that contribute effectively to raising economic growth rates and improving the standard of living and social life in Iraq, but it suffers from many changes and imbalances that have been negatively reflected directly or indirectly on the performance of the economy in general , accompanied by many Factors, accumulations and impulses that burdened its budget and worked on slowing its growth, disrupting its economic and structural structure, and failing to achieve its development goals. Among these factors are Iraq's entry into many foreign wars such as the eight-year war with Iran, the invasion of Kuwait, imposing international sanctions, internal conflicts and opposition to the regime, such as the Northern War in the Kurdistan region In the era of the seventies and the local revolution in the early nineties of the last century, and the adoption of many policies and procedures in order to avoid these crises, they led to a great dependence on the oil rentier revenues, the only source in the structure of exports and the marginalization of the rest of the sectors, the fact that Iraq ranks third in the world in its oil reserves and the main resource in preparing public budgets, as well as the emergence of economic and social phenomena that have undermined development and a deficiency in growth such as unemployment poverty and corruption to enter Iraq in the development syndrome, namely the three gaps that has become a major constraint on investment and economic development represented by the internal divide - a gap of savings & investment weakness in his savings and turn them into anus fruits , external gap - a gap of import and export - as a result of failure and disruption of structural in apparatus production and low efficiency for the lack of competitiveness and cover the needs of the local market, and the gap of the budget - a gap of income and expenditure - addressed by researchers independently from the previous two gaps and represented the absorptive capacity gap that responds to variable investment and no other variables other to exist closely between the need for investment to domestic savings Which is characterized by insufficient coverage of investments and its response to my stock The foreign exchange mechanism, which has become deficient to meet and nourish the investment structure required by development, thus the two gaps became associated with the third gap, so that the shortage of savings and the insufficiency of commodity exports, except for oil, are combined with the decline in the outcome of public revenues to lead to the imbalance of the economic structure and the delinquency of the economy to rentierism clearly and this is what we will review in the body of the research.

Keywords: Interpretation, structural imbalance, Iraq, economy, three-gap model

Introduction

The importance of the research: The importance of the research lies in studying and analyzing the reality of the Iraqi economy and the most important structural imbalances that it suffers from by the method of analyzing the three gaps for the period (2003-2018) in order to determine how to address these imbalances

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and provide sources of deficit financing by attracting and withdrawing savings and hoardings and converting them into investments.

Research problem: The research problem is limited to studying and analyzing the structural imbalances that the Iraqi economy suffers from despite the fact that Iraq possesses many components and huge potentials of natural and human resources and did not exploit them in the best way that led to the existence of a structural imbalance that requires treatment and economic reform after knowing the gaps that it suffered from. .

The goal of the research: The research aims to identify the reality of the Iraqi economy and the most important challenges and problems that caused a structural imbalance in its economic structure that led to a decline and decline in growth rates in the gross domestic product. It required solutions and treatments by bridging the three gaps it suffers from.

Hypothesis: stems research that the hypothesis that the economy of Iraq is full of economy resources and economic possibilities that enable decision - makers and the power of the disposal and treatment of all structural imbalances and structural that accompanied the economy for the period (2003-2018) and to identify the three gaps the gap internal and external gap and the gap of the budget through Optimizing the use of resources and finding the necessary alternatives to get rid of the rentier resource syndrome and unilateralism.

Literature review

1- Structural changes and imbalances: reality and measurement

On a large scale, economic studies have paid great attention to the topic of structural change at all levels and economic activities, and for various developed or developing countries, especially developmental economic literature and studies of economic thought starting from Adam Smith to this day, as Adam Smith believes that the structural components are related to the level of economic development And it relates strongly to it, while David Ricardo explained that the structural changes of the components of the economic system are now crowning a necessary condition for economic growth, while Henry Chenery believes that the economic structure is a set of relatively stable economic relations in the economic and social system, and that any change is seen in the composition of a certain variable such as demand For example, or any other quantitative quantity is a structural change, in other words the extent to which the economic model responds to the structural changes that occur in it by the action of external or internal forces (**Chenery, 1973**), Linking Simon Kuznets between economic growth and structural transformation as it said that economic growth must be linked to a structural transformation constant (**Kuznets, 1971**), But Machlup showed the structural change is a different contribution to the economic activity and production, various professions, geographical areas and types of products. . . And others (**Machlup, 1991**) , And therefore, the structural change is a common process that requires the contribution of all Governments that initiate and implement effective policies and the use of technology productive art developed to achieve high growth rates, and institutions contribute in helping and the participation of the public sector in the creation of productive and investment environment, and stakeholders (community), the creator of the development and the beneficiary to develop Economic, productive and social structure to achieve the goals of sustainable human development. Can review some change data structural of which passed through the Iraqi economy for various stages to stimulate growth and the advancement of economic reality in the various economic activities through investment expenditure and its share of GDP as in (Table 1), which the broad amount of public spending, both current and investment and gross domestic product the total for the period (2003 -2018)

Table (1) GDP at constant prices and investment spending in Iraq for the period (2003 -2 018) million

the year	GDP* Million dollars 1	Public spending is one million dinars 2	Current spending Million dinars 3	Investment spending Million dinars 4	Investment spending% public Of spending 5
2003	13 941	9232200	7362300	1869900	20.2
2004	28 63 6	33657511	28543338	5114173	15.1
2005	29 51 1	35981168	28431168	7550000	21 .0

2006	**32 44 2**	**50963261**	**41691161**	**9272000**	**18.2**
2007	**38 28 8**	**51727468**	**39021630**	**12665305**	**24.5**
2008	**42 9 90**	**59861973**	**44190746**	**15671227**	**26.2**
2009	**46.29543**	**69165523**	**54148081**	**15017227**	**21.7**
2010	**48 694**	**93657421**	**69980649**	**23676772**	**28 .0**
2011	**53 219**	**96662767**	**66596473**	**30066292**	**31.1**
2012	**58 13 6**	**117122930**	**79954033**	**37166897**	**31.8**
2013	**61 411**	**138 424608**	**83316006**	**55108602**	**39.8**
2014	**59 91 5**	**163416518**	**98793961**	**64622557**	**39.5**
2015	**56 92 9**	**70397.5**	**51832.82**	**18564.67**	**26.4**
2016	**151 956**	**6 7067.4**	**51173.43**	**15894.0**	**23.7**
2017	**159 82 5**	**75490.1**	**59025.6**	**16464.5**	**21.8**
2018	**164 70 6**	**8 0873.0**	**67 052.9**	**13820.3**	**17.1**

Source :Central Bank of Iraq ,Ministry of Finance ,Arab League and others ,Arab Monetary Fund.

**It was calculated by the researcher after converting the exchange rates ,based on the Central Bank of Iraq data, the annual statistical bulletin.*

Monetarists believe that most of the structural imbalances in developing economies take a form represented in the form of an internal structural imbalance or an external structural imbalance that can be caused by monetary factors.

2- **Internal imbalances in the Iraqi economy**

Internal structural imbalance means to move away from equilibrium and stability between the two variables or more as is common k m changing supply and demand or savings and investment and other m a, in other words , the structural imbalance is the imbalance of the components and elements of the economic structure, leading to an imbalance in the overall balance of the economy and the country in In general, it prevents an evolution in the processes of economic growth and impedes the achievement of the goals of economic development for various reasons , including economic, political, and social . It has actively contributed to strengthening the economic imbalances in Iraq, especially the internal ones, which were clearly manifested in the distortion of the national economy's structure due to weak front and back interconnections. between different sectors and blurry and lack of clarity of economic as well as policies for the constraints and internal problems , including the lack of savings and the culture of savings without compactness and handle banking in order to convert savings into investments, wars and occupation and the fight against terrorism, corruption , and weak institutions and the quality of legislation , and the dominance of the oil sector on the structure of the output components of the shop the total and the lack of participation in economic sectors and activities, and the marginalization of the role of the private sector in the country The contribution of late growth and evolution the year of the Iraqi economy, it is striking that the imbalance structure of the internal highlights of the gross domestic product components (analysis GDP) Either to be an imbalance in the structure of production of commodity or an imbalance in the monetary structure as a result of increased government spending to meet the needs of war and sanctions p for Z Iraq and inflationary wave witnessed by the former regime stage and oyster B of terrorism later, or an imbalance in the financial structure . The Iraqi economy suffers, as is the case in most developing countries, from an imbalance in the production structure, which is clearly evidenced by the contribution of each sector in the formation of the structure of the gross domestic product, which in turn is reflected in the macroeconomic level, as shown in Table (2). For separate years, we see that the total commodity sectors are taken. A decrease after it reached (73.3%) in 2005, to decrease to about (58.07%) in 2018 due to the decrease in the contribution of its component sectors, as is the case in the agricultural sector and the extractive industries sector, which is the main nerve in its formation due to competition from importers The local production of agricultural activity as well as the neglect that afflicted

those sectors by successive governments after the change of the previous regime and the occupation of Iraq. While the total in the distribution sectors witnessed a similar decrease from (37.7%) in 2000 to about (18.95%) in 2018 as a result of the decrease in the contribution of the economic activities that make up it, as is the case with the contribution of trade, restaurants and hotels, and its accompaniment to the occupation process from the apparent destruction of infrastructure in Iraq. As for the service sectors, its contribution was better than its predecessors from the previous sectors, to record an increase from (18.2%) in 2000 to about (23.09%) in 2018 , after it was (31%) approximately in 2010, as shown in Table (2) .

Table (2) the contribution of the economic sectors to the gross domestic product in Iraq for selected year's%

the year	2000	2005	2010	2014	2018
1- Agriculture sector	29. 6	7.2	6.99	4.1	1.95
2- Extractive industries	4.2	62.9	41.74	46.4	47.116
3- Manufacturing industries	6.9	1.4	2.9	2.9	1.798
4- Electricity, water and gas	0.3	0.6	1.96	1.96	4.260
5- Building and construction	3.1	1.2	4.82	4.82	2.934
Total commodity sectors	44.1	73.3	58.41	58.41	58.0 7
6- Trade, restaurants and hotels	21.5	6.2	6.75	7.5	7.781
7- Transportation	9.9	7.4	2.52	5.7	10.638
8- Finance, insurance and banking	6.3	0.7	1.34	8.9	0.517
Total distribution sectors	37.7	14.3	10.61	22.1	18.9 5
9- Housing and utilities	3.5	0.7	12.17	3.2	5.854
10- Government services	13.5	9.9	17.59	10.4	14.358
11- Other services	1.2	1.8	1.22	1.2	2.872
Total service sectors	18.2	12.4	30.98	14.8	23.08
Gross domestic product	100	100	100	100	100

Source: foreign affairs Planning, Arab League and others

3- **External imbalances in the Iraqi economy**

The Keynesian theory that the Keynesians came up with through its approach called the method of saving and investment in the balance of payments balance, emphasized that the relationship between saving and investment is the tool that explains the status of the current account from the balance of payments, so the difference in the value of imports and the value of exports of goods and services is the equivalent of the difference between saving and investment Desired, the current account balance of the balance of payments that leads to improving saving is necessarily the result of the desired investment corresponding to it and the largest income. The Iraqi economy is characterized by the unilateral rentier resource in financing the general budget represented by the oil resource, as well as weak production, low productivity and lack of economic diversification of its multiple resources associated with the traditional service activities and their failure to keep pace with the developments of the scientific-technological revolution and the inflexibility of the productive apparatus lagging behind the technological development, and there is a great controversy among economists In explaining the imbalances of the balance of payments and how it can be addressed by the adoption of most developing countries, in particular an expansionary monetary policy, the exaggeration of the exchange rate contributes to an increase in imports with an increase in domestic credit due to an increase in the money supply and inflationary waves without a corresponding increase in commodity production . It is noticeable to mention that the Iraqi economy depends heavily in most paragraphs of the trade balance on oil exports, which constitute approximately 99% of the total exports, and that the volume of imports is more contributing to the formation of its paragraphs and the total imports are characterized by randomness in filling the deficit in the shortening of local products to meet the needs of demand interior style door open in the quality of import working on a competitive weakening domestic with overseas decline in imports prices of the product and the deterioration of the quality of the turn of the Iraqi economy to the importer 's economy depends on the outside and not a productive economy that meets the needs of the domestic demand due to severe neglect of the productive sectors and to encourage imports as a result of economic and political dependence of the outside as In Table (3), which shows the difference between exports and imports in Iraq

for the period (2003-2018) . To address these imbalances, it is necessary to give a vital role to the private sector in the development and development of the Iraqi economy to meet the surplus internal demand and allocate resources optimally.

4- **The internal gap (saving and investment gap)**

The internal resource gap is an expression of the gap between investment and savings, as it is a clear reflection of an internal imbalance as a result of the lack of national savings to cover the required investments in order to cover the formation of capital, and it varies from country to country according to the material and natural capabilities and the behavior of individuals to the pattern of saving and its investment and savings culture, and the distinction between saving and hoarding (**Zaki, 1980**) , the classic analysis of the internal gap admits that the decrease in the volume of savings required to finance investment requirements and achieve economic growth rates and countries' aspirations for growth rates that they aspire to achieve. Capital accumulation does not occur except through desirable and targeted investment rates, as the gap is The interior is a constraint on development , and because saving is an important and decisive variable in getting rid of the problem of financing investments and expanding the absorptive capacity of investment through capital accumulation to provide justifications for undertaking comprehensive development at the required level, which is the goal of most developing countries, including Iraq, may resort to external financing to fill the deficit in their savings to finance The required investments needed for development Its economic disposal of the gap the interior of the represented savings gap - investment, which can be expressed that:

Internal gap = investment - saving

That is, it is the difference between the investments made in the economy and the domestic savings, and in other words it is the difference between gross domestic product and aggregate demand, that is, the difference between aggregate demand and aggregate supply, and that the economic balance of any economy is the equivalent of total saving with total investment. From Table (2) we see that the internal gap in Iraq was negative in most stages of the studied period, except for the year 2003 and 2005, it achieved positive values amounting to (385 and 1707) million dollars for the two years, and the reason for these negative values lies in that Iraq is a country characterized as a young man. This means that the youth group is the largest group in the population pyramid of Iraq, which is characterized by a weak tendency to save and their tendency to consume and spend instead of saving for many and multiple reasons, including personal love, the formation of families and families and the required spending, and in general it may be attributed to the country’s conditions, low interest rates and lack of The certainty of establishing projects or speculation in the money markets and generating weakness and saving deficit and a state of total imbalance in the economy that led to the so-called bilateral deficit, in other words an internal deficit represented by the insufficiency and low desired saving and its weak ability to meet the desired investment spending due to the excess of consumption spending, and an external deficit represented by the deficit of account Ongoing balance of payments. As for the subsequent years, the effects of the financial crises and oil shocks also affected, such as the global crisis in 2008, the decline in oil prices, the fight against terrorism, and the effects of its occupation of parts of the land of Iraq for nearly two years.

Table (2) the internal gap in Iraq for the period (2003-2018) million dollars

the year	Saving	Investment	Inner gap
2003	507	892	385
2004	3764	1905	1859-
2005	5081	6788	1707
2006	18153	11155	6998-
2007	25841	11210	14631-
2008	40432	22495	17937-
2009	21708	25831	4123
2010	4 6624	31530	15094-
2011	75985	30359	45626-
2012	94867	33461	61406-
2013	92330	42311	50019-
2014	59568	44470	15098-
2015	125439	19554	105885-

2016	20252	24177	3925
2017	44282	28434	15848-
2018	70022	24690	4532-

Source: Arab Monetary Fund, the Unified Arab Economic Report, Various Years, Various Pages.

5- **Gap external (foreign gap) Cash**

Structural economic analysis of the foreign exchange gap stems from the fact that structural imbalances in the inflexible production apparatus lead to low production efficiency and hindered local products from accessing local markets and their ability to export abroad with high competitiveness , meaning that the occurrence of a structural imbalance generates a decrease in the level of production generates a supply shock lead to asylum country to increase imports to meet domestic demand from the goods and services that the country's economy rentier unilaterally dominated by the oil output compared to the rest of the other sectors. The analysis that links the internal gap with the external gap is called the two-gap model. Every deficit in the external gap is nothing but a deficit in the amount of domestic savings, and this can be proven through the following relationships (**Alali, 2011**):

$Y = C + I + (X - M)$

As:

Y = GDP, C= Total consumption, I= Total investment, X= Exports, M.= Imports.

The previous equation indicates that aggregate supply equals aggregate demand, including (**Al-Janabi, 1990**) :

$Y = C + S$

$C + S = C + I + (X - M) C + S + M = C + I + X$

$M - X = I - S$

From Table (3) we see that the external gap has achieved negative values at the beginning of the studied period as a result of the occupation of Iraq and the deterioration of the productive sectors and the widespread indiscriminate import not to mention the economic and political dependence , which rose in subsequent years to reach about (16239) million dollars in 2008, which decreased to the values of Negative values up to (5682-) in 2009 as a result of the repercussions of the global financial crisis and the drop in crude oil prices as well as the effects of the internal gap , while it achieved positive values for the following years, the highest in 2011 and 2012 due to the increase in oil prices and the increase in oil revenues as a result of the increase in oil exports, which was reflected positively. On the increase in incomes and thus the increase in overall demand, however, in subsequent years their positive values decreased in 2014 and achieved a negative value in 2015 due to the increase in military expenditures and the tendency to fight terrorism to occupy parts of Iraqi lands, violent conflict and external and regional interference, and we see that Iraq faced many financial and monetary crises of bad Managing the country's economy, the spread of the phenomenon of corruption in the state's facilities and its various institutions, the absence of law, and the state's loss of prestige is a promise M respecting and applying its legislation to become one of the soft and large importing countries with little exportation of its industrial and agricultural products.

Table (3) The external gap (foreign exchange gap) in Iraq for the period (2003-2018) million dollars

the year	Exports	Imports	External gap
2003	114	430	316-
2004	24084	22275	1810
2005	26552	28328	1776-
2006	28412	21500	6912
2007	38434	23908	14526
2008	56894	40655	16239
2009	44965	50647	5682-
2010	55066	46967	8100
2011	82505	51553	30953
2012	96188	59832	36356
2013	91378	67612	23766
2014	82 204	69126	13078
2015	57 118	58190	1072-
2016	33195	29868	3327
2017	63604	49392	14212

2018	97474	59548	37927

Source: Arab Monetary Fund, The Unified Arab Economic Report, Multiple Years (2003-2018)

6- **The public budget gap in Iraq**

The gap between revenues and expenditures reflects the deficit in the state's general budget, and it is a product and part of the internal resource gap for which the public sector is responsible (**Al-Fares, 1997**) . It can be proven that the general budget gap is part of the resource gap, such as through the following matches:

I - S = M –X

Since the total investment is the sum of investment in the private sector and investment in the public sector, and saving is the sum of saving in the private sector and saving in the public sector, the relationship from the previous equation is as follows (**IMF, 1993**):

(IP - SP) + (IG - SG) = M - X

So that IP = Investment in the private sector, SP= saving in the private sector, IG= Investment in the government sector, SG= saving in the government sector.

From Table (4) we see that the public budget gap was negative throughout the studied period (2003-2018) due to the lack of revenues and the economy's reliance on a single resource in financing the general budget, which is the oil resource and the weak contribution of other sectors, as was mentioned in the two previous gaps

Table (4) the general budget gap in Iraq for the period (199 6 - 2017) (million dollars)

the year	Revenues	Expenses	The balance gap
2003	2373.967	4768.698	-2394.73
2004	14954.65	23164.15	-8209.5
2005	19672.97	24443.73	-4770.76
2006	30774.44	34551.3	-3776.85
2007	33200.1	40826.73	7626.63
2008	42207.05	49760.58	- 7553.53
2009	42646.54	58515.67	-15869.1
2010	52053.38	71380.66	19327.3
2011	67671.23	80821.71	-13150.5
2012	82990.18	94990.21	-12000
2013	96831.71	112357.6	-15525.9
2014	115025.2	134610	1958.8
2015	75419.7	95799.86	-20380.2
2016	41892.9	57702.75	-15809.8
2017	44206.78	59 189.99	-14983.2
2018	77530.0	88118.0	10588-

Source: Ministry of Finance, Ministry of Planning, Central Bureau of Statistics ,Central Bank of Iraq

Results

1- **Standard analysis of the three gaps in the Iraqi economy**

Economic ideas developed through multiple stages of time that led to the emergence of mathematical models and scientific research that actively contributed to linking internal structural imbalances caused by the lack of local resources (the internal gap) and external imbalances represented by the trade balance deficit (the external gap), which specialists called the two-gap model (**Zaki, 1985**) which has its roots in post-Keynesianism as Harrod's model (Harrod, 1939) and Domar model (**Domar, 1946**) and after them (**Littie, 1960**) the year 1962 is an important model to address the internal and external gaps, as they constitute a

constraint on economic growth in the long run, and a group of economists added another model as a kind of imbalance, which is the public budget gap, which is a constraint on investment and economic development and the absorptive capacity of investment to organize to n m a new model called the model of the three gaps. Which includes the internal gap does not represent the difference between investment and saving, the external gap that explains the difference between exports and imports, and the budget gap that shows the difference between revenues and expenditures, and these gaps represent the independent variables in the model for the period studied (2003-2018), while the GDP represents the dependent variable, which shows rates of economic growth in the period studied , and also illustrates the h her record analysis by the statistical program Eviews 10.

2- Description and formulation of the estimated model

It is necessary to describe the model and indicators, the economic variables used in the economic measurement, in order to be able to correctly and acceptable clarification of the economic relations consistent and consistent with the economic theory, so we took the independent variables expressed by the three gaps the internal gap, the external gap, and the budget gap for the period (2003-2018), while it was Gross domestic product (GDP). It is the dependent variable that represents the dependent variables, and multiple relationships have been relied upon to demonstrate the effect of the explanatory variables as determinants of economic growth according to the following regression equation:

$Y = b_0 + b_1 x_1 + b_2 x_2 + \text{-------} b_n x_n$

As :Y =Dependent variable ,x_n---x_1 =Independent variables ,b_0 =Coefficient of stability ,b_n--- b_1 the marginal propensity coefficient of the variables.

In order to link the theoretical aspect represented by the structural imbalances that have been reviewed and dealt with previously, and the applied aspect, the data must be analyzed for the studied period, taking slow periods to address the existing correlation of the variable and the extent of the stability of the model and the lack of fluctuation and the deviation of values from its arithmetic mean.

3- Estimation and analysis of the three gaps in Iraq

To verify the staticity of the time series of economic variables used in the economic analysis for the period (2003-2018), the Extended Dicke Fuller test or method was used (AD F(To test the unit root of time series, and the results of Dickie Fuller's test indicate that the time series of GDP is static at a level (with a fixed boundary and a general trend (as it recorded a value)) Prob (Less than (0.05), which means rejecting the null hypothesis and accepting the alternative hypothesis that states a variable staticity) GDP) At the levelAt level . As for the rest of the variables all were non-static due to the fact that the value was (Prob Above (0.10), whether that is with only a fixed term, or a fixed term and a general trend, or without a fixed term and a general direction. When calculating the first differences for the independent variables, the value of (ProbLess than (0.10) and at any level of significance (1%, 5%, 10%) and it is static in all cases (fixed limit, fixed limit and general trend, without a fixed limit and general trend).

Table (5) results of model estimation ARDL The impact of the three gaps on economic growth

Prob.*	t-Statistic	Std. Error	Coefficient	Variable
0.0000	15.97251	0.070911	1.132631	Y(-1)
0.3174	-1.076466	0.000107	-0.000116	X1
0.0001	-8.656824	0.000107	-0.000929	X1(-1)
0.7949	0.270052	0.000230	6.21E-05	X2
0.0012	-5.232513	0.000323	-0.001689	X2(-1)
0.9818	0.023612	0.000710	1.68E-05	X3
0.1953	1.431909	0.000891	0.001276	X3(-1)
0.0792	2.053220	5.540998	11.37689	C
68.86340	Mean dependent var		0.988540	R-squared
47.82105	S.D. dependent var		0.977080	Adjusted R-squared
7.101586	Akaike info criterion		7.239784	S.E. of regression
7.479213	Schwarz criterion		366.9013	Sum squared resid
7.097564	Hannan-Quinn criter.		-45.26190	Log likelihood
1.526677	Durbin-Watson stat		86.26036	F-statistic
			0.000003	rob(F-statistic)

Source: From the researcher's work based on the results of the assessment using a program Eviwes10

Statistics refer to the model estimated model quality through a value R 2 The amount (0.99 %), which means that changes in the dependent variable are due to changes in the independent variable by 99%, while 1% is

due to other variables not included in the model , in addition to the value of (F. Test) 86.26%) and with a significant level (0.0000) and as shown in Table (5). As for the standard tests such as diagnostic tests that show the extent to which the estimated model passed the standard problems, the results indicated that the estimated model is free from self-correlation problems as evidenced by a test. Test LM (If it reached a value Prob. Chi-Square (About 0.318), which is greater than (0.05), that is, we accept the null hypothesis, which states that the residues do not suffer from the problem of variance and are not self-related, as shown in the table)5). To make sure that the residues do not suffer from the difference in contrast, we find that the value of (Chi-Square(When testing) Hetreioskedastic: ARCHI reached (0.67) and it is greater than (0.05). Therefore, we accept the null hypothesis which says that the residues are homogeneous and do not contain the problem of heterogeneity of variance, as in Table (6).

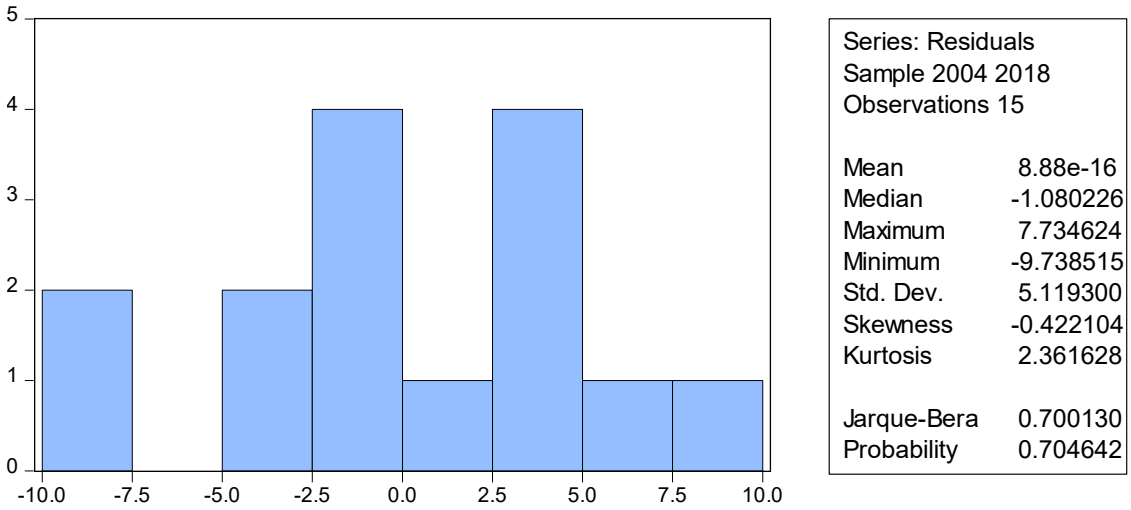
Table (6) Test of the Heterogeneity Problem (ARCH)

Heteroskedasticity Test: Breusch-Pagan-Godfrey

0.8182	Prob. F(7,7)	0.487355	F-statistic
0.6703	Prob. Chi-Square(7)	4.914980	Obs*R-squared
0.9981	Prob. Chi-Square(7)	0.728725	Scaled explained SS

Source: From the researcher's work based on the results of the assessment using a program Eviwes10

To clarify that the residues are normally distributed, we find that the probability value of (Jarque - BeraIt) has reached (0.70), which is greater than (0.05). Therefore, the null hypothesis, which confirms that the residues are not contained, is the problem of normal distribution and that it is normally distributed.
The normal distribution test for the remainder of the model



Source: From the researcher's work based on the results of the assessment using a program Eviwes10

And from the boundary test for the joint integration, as it was found that the calculated value of (F(It is (16.45) is greater than the upper limits) (and the lower limits) (for statistical values)F According to the size of the sample, the degree of freedom and the level of significance (1%, 5%, 10%) , and as shown in Table (7) .

Table (7) Results of the boundary test for cointegration

Null Hypothesis: No levels relationship F-Bounds Test

I(1)	I(0)	Signif.	Value	Test Statistic
3.2	2.37	10%	16.44840	F-statistic
3.67	2.79	5%	3	K
4.08	3.15	2.5%		
4.66	3.65	1%		

Source: From the researcher's work based on the results of the assessment using a program Eviwes10

Conclusions

1. The Iraqi economy suffers from structural imbalances that led to the deepening of the three gaps represented by the internal gap, the external gap, and the public budget gap for many reasons, including the lack of savings and the saving culture of the society, which led to the undermining of investment, the imbalance of the productive structure and its inflexibility, the lack of exports and the growing volume of imports, which led to economic exposure to the outside. And the exit of foreign currency abroad, as well as the increase in the volume of public expenditures and the lack of revenues, leads to lower rates of economic growth.
2. The high dependence on the revenue from oil exports, which constitute about (99%) of the volume of exports, the growing phenomenon of unilateralism, the rentier nature of the Iraqi economy, and the loss of economic diversification of resources and their optimal use, which was directly reflected on the sources of national income and the structure of the gross domestic product.
3. The weak and modest contribution of the economic sectors such as the agricultural, industrial, tourism and other sectors, and the great dependence on the oil sector to make the Iraqi economy vulnerable to structural imbalances and external shocks, as happened recently after the Corona pandemic and the government's and decision-makers inability to provide the requirements to confront the stifling crisis and its accompanying low oil prices.
4. The great expansion in the operational expenditures of the general budget that exceeds (75%) the length of the study period, while investment expenditures do not constitute as an average during the study period more (25%), which made the Iraqi economy threatening a monetary and financial structural imbalance whose features became clear during the recent crisis and the Corona pandemic in the absence of Covering salaries and wages expenses in the mid-year 2020.
5. The study showed that there is a strong correlation between the three gaps, which was reflected by the results of the quantitative analysis through the use of the statistical program (Eviwes10), And a correlation relationship between the three gaps, gross domestic product and economic growth rates.

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