

Analyzing the Hypothesis of Financial Dominance and Its Monetary Effects in the Iraqi Economy Duration (2004-2021)

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tcartsbA:

That nature rentier for the economy Iraqi, And from During production oil and revenue oil, made a show criticism and grow it connected automatically in the center financial for the government and its policies spending . as such led that because be Politics cash keep up financial domination expansive, And the Aim to this search to me analysis hypothesis domination Finance Oil and its monetary impact on the economy Iraq Such as modified Growth in GDP and oil exports revenue and trade balance , and adopted search on me data annual and quarterly for the duration temporal extended From 2004 to _ 2021 with a goal statement hypothesis domination Finance and its effect in some Variables cash From During reading Quantity and analytical some variable cash and fix Type Relationship and its extent . and using methods modern in Analysis in study Relationship between Variables Economic Shop.

Keywords :Financial dominance,GDP, trade balance (exports,imports), inflation

Introduction:

The lack of coordination between the two policies Finance and cash in Shade Objectives and tools after 2003 effect negatively From During two indicators they go off From Origin My opinion , first represent in non temporal interaction for politics cash get away about its target chief (stability in the level general for prices) on account to provide cover for impotence budget via (window currency) of which born massive cash in Activity Economic exhaustion reserves International. with this effect react Effect Second represented b domination Finance with direction reverse with Policy stability that adopted it Politics cash in Iraq after 2003 and within autonomy for the bank central Law No. 56 of 2004. This turns out effect From During a burden inability budget the huge parents general inner that represents pressure negative pressure on me Politics cash to fund that disability , And who born pressure inflated and accelerated in Bloc cash Caused Effects inflated which that Politics Finance After 2003 I gave up about role eminent Manat out in Building Base to select size disability Finance in Iraq.

The significance of the research:

come Importance From that search eating Theme in very Importance in the countries oil Such as Iraq , Except and he domination Finance in this is the countries and submissive Politics cash to meet demands Politics Finance , in Shade dominance oil on me Activity Economic to her and reflection this is domination on me Pay Politics Finance in Introduction , to manage Economy the National.

The problem of the research:

The research problem is seeking refuge to me domination Finance In oil countries may is being tied Just degree financial discipline. and with that , always complete eat argument domination Finance From During controversy standing that the problem she in Indeed , problem the economic growth slow , and that solves it lie in More From Oil revenues . Which reflected on the control of the financial authority over the monetary authority.

The aim of the research:

- 1-Clarify and analyze the concept of financial hegemony and its impact on the monetary authority.
- 2-Statement of the importance of coordination between fiscal and monetary policies.

Research hypothesis:

lean search to me hypothesis to the effect " that Financial / oil dominance has a negative impact on Authority cash in Iraqi an actress in the bank central through oil revenues.

The first topic: Financial hegemony: the conceptual and cognitive framework.**First . identification domination finance.**

lhave Use The term Fiscal Dominance first Once year 2003 from by (Fraga et al) in context of an emerging market with systems targeting inflation. Points to me the condition that is being in which the bank central, because of weakness in the financial system or excessive indebtedness, not able in tightening his attitude because this From like that Threatens stability of the financial system.

Hellwig states that domination Finance as a system get up in it Banks central adapted its policies with state the financial system, where no be Institutions Finance the weak able or not eager on me Absorption losses and force sector general on me to provide re capitalization.

Brunnermeier describes domination Finance It's a " game " hen " for the financial sector Opposite the bank central . sector general on me absorb this is losses.(1)

As for (Paul R.Masson) see that borrow government direct from the central bank or sector the banker must Anycon limited or banned , and that Own government base from revenue sing it about accreditation on rent version and that featured markets Finance in depth enough to Tools the debt year and private on limit whether hence fly arises your accumulation the debt year results change desired in it.(2)

domination means Finance that government plan to spend it away about which coordination with power cash , she in a way that put her budget no you care as much disability in budget , where is done measuring this disability by the bank central , or by market money and often what's going on that if the bank central change independent about government from where design and implement politics cash , where beat on his policy goals which you specify it government and care Baha when put fonts Home for economic policy for the state , so then government will not you care growing impotence budget as long as it don't expect an increase in cost the debt where The bank provides central most finance that's why disability whether from sources real or Issuing more from money the new what's up leads to low big in capacity power cash , and to more from growth in size impotence budget , as lead to increase rates Inflation and low value currency national in front of foreign Currencies.(3)

in when Rogerio .LFWerneck finds that _ concept domination Finance connected with a position become Where is the monetary policy subject for needs Finance in shadow indebtedness high in sector year food tax change Efficient.

that domination Finance different appearance and type and its degree which practice it government on the central bank and his policy cash , in Countries developing practice Governments domination Finance direct in when practice Countries advanced domination change financial directly , as well is different shape domination Finance from Where nature revenue budget general for the state , for the states oily practice domination are different about Countries which are its revenue about road taxes and fees and others From Revenues the others Oil.(4)

Second: Theories explaining the phenomenon of financial domination.

1-The central bank independence theory.

This theory states that the independence of the central bank is negatively related to the financial dominance of a country. That is, it represents a concept different from the independence of the Central Bank because of the overlap of the work of fiscal policy within the framework of monetary operations. In other words, the concept of financial hegemony is linked to a situation whereby monetary policy becomes satisfactory to financial needs in light of high indebtedness in the government sector and inefficient tax collection). According to the definition, financial hegemony impedes the effective implementation of monetary policy aimed at controlling inflation. year (1983),(5), assuming that a country suffers from an inflationary bias and therefore inflation is sub-optimal. This theory was proposed to explain the role of monetary policy in influencing the determination of the price level. Dependence on the central bank can be explained by the problem of time inconsistency. Kydland and Prescott 1977, when the policy maker declares the optimum rate of inflation, and if private agents take into account the declared rate of inflation becomes the optimum rate of inflation(6). Then the government creates higher inflation than the previously announced expected since inflation returns With certain benefits (Eijffinger&Haan, 2000) Because of the contradiction in the problem caused by the government, the rate of inflation continues to rise and therefore the necessity of the need for an independent and conservative central bank, to address this. The central bank is linked to the form of economic inflation. The general significance of the theory is that a central bank can achieve sustainable low inflation by delegating its mandate to ensure price stability to an independent, conservative banker who protects itself from government

policy and influence. Thus, the zero independence of the central bank means that, the monetary policy objectives, implemented by the central bank can be influenced by financial factors such as fiscal deficit among others(7). However, the main weakness of this theory is that it can be Applicable only if the government is able to pay its debts and does not suffer from a financial deficit. This theory is also not applicable in research, as Iraq suffers from an oil hegemony and a continuous financial deficit, which means that the government is not able to fulfill its obligations, and therefore the existence of financial dominance (the reliability of the central bank) that affects the achievement of monetary policy objectives negatively.(8)

2-The theory of crowding-out effect.

This theory was postulated by classical economics in an attempt to explain the role of fiscal policy in the economy. According to this theory, any attempt by the government to increase government spending by providing public goods so that taxes can be collected, leads to higher rates of interest which discourage private sector investment. This is because when the government faces a fiscal deficit in an attempt to increase government spending it has two options; Either printing money through the Central Bank (Seigniorage) or borrowing from the public by issuing bonds. Both measures reflect the monetary authority's support for fiscal policy and then financial dominance, both of which will lead to an increase in the money supply and lead to an increase in inflation rates. However, to entice the public to buy government bonds, the government lowers the price of government bond which then leads to higher rate of interest of the private bond issued. This, in turn, leads to a decline in private savings and private investment which is detrimental to future growth prospects. The main weakness of this theory is that it assumes full utilization of resources and enables very few economies to make full use of their resources. This theory is not suitable for this research on the Iraqi economy because it links only financial hegemony with private investment and private savings. Moreover, the theory assumes that the fiscal deficit can only be financed through financial dominance, while there are other ways to finance the deficit such as through bilateral loans and international institutions loans.(9)

The second topic: Criteria and indicators of financial dominance in the Iraqi economy for the period (2004-2021)

FIRST. Criteria for determining oil hegemony in the Iraqi economy.

1-Oil exports X_O to total exports X

A careful reading of the Iraqi trade balance clearly shows the dominance of oil exports over the export activity. It is noted from Table (1) that oil exports exceeded 98% of the total exports, during the period (2004-2015), and the rest of the exports ranged between 1% and 2% of the total exports, which means The almost complete absence of this activity, and on the other hand, the import focus on consumer goods and the absence of production goods and production requirements, and this indicates the absence of local and foreign direct investment in Iraq. It did not indicate an inflow or an accumulated balance of foreign direct investment. Then, the relative importance of oil exports decreased in 2016 and 2017 below 75% and returned for the remaining period to almost complete dominance over total exports.

Table (1)

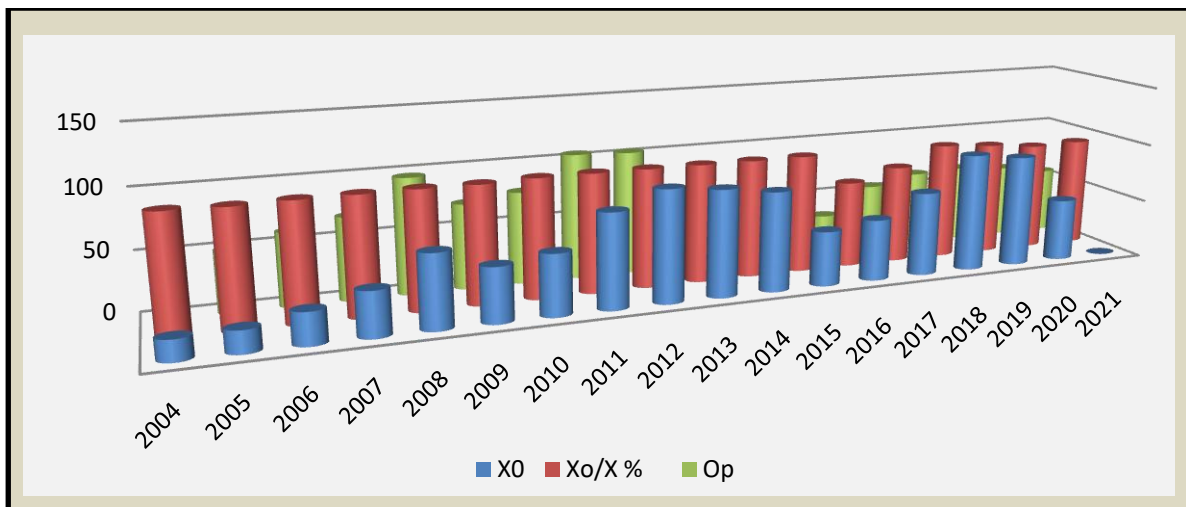
doirep eht rof stropxe latot ni stropxe lio fo ecnatropmi evitaler ehT2004-2021srallod noillib

secirp lio O_p	$\frac{X_2}{X}\%$	stropxe latot X	stropxe lio X_0	raey eht
36.1	97.7	17.7	17.3	2004
50.6	96.8	19	18.4	2005
61	97.8	27.2	26.6	2006
69.1	98.1	37.9	37.2	2007
97.2	98.5	62	61.1	2008
71.6	98.2	46.4	45.6	2009
77.4	99.6	51.4	51.2	2010
105.4	99.7	79.6	79.4	2011
103.8	99.6	94.1	93.8	2012
59.5	99.5	89.8	89.4	2013
55.5	99.4	84	83.5	2014
35.3	99.5	46.4	46.2	2015
32.5	73	70.9	51.7	2016
55.8	82.9	85.2	70.6	2017
63.8	98.9	100.6	99.5	2018
65.6	96	98.2	94.3	2019
62.4	92	57.1	52.5	2020
56	93	57.9	53,8	2021

Source :International Monetary Fund, Country Report IRAQ, 2010 , ,2015 , 2018, 2022

Standing on the reality of the Iraqi balance of payments for the mentioned period shows a very dangerous matter that is entirely dependent on oil revenues, and that the growth in the aforementioned gross domestic product represents a growth in oil revenues. Behind this lie deep economic implications, the most important of which is that the Iraqi economy has become a function of the oil market, and this has already been reflected since mid-2014 and 2020, as soon as oil prices fell, then Iraq entered the tunnel of the financial crisis. The lack of government resources other than oil to finance the economy with all its activities and activities led to the linkage of all economic performance in Iraq to the price of oil, and since the price of oil is a function of external international market variables and instantaneous fluctuations, it may be annual changes or business cycles.

(1)epahs

) *Change in $X_o/X\%$, $X_(O)$ and O_p for the period (2004-2021)*

Source: Prepared by the researcher based on the data in Table (1)

This means the fluctuation of revenues and their fluctuation in all the short, medium and long terms, which means that Iraq will have two cases: the first case is fluctuating revenues and fixed obligations and receivables, which leads to a budget deficit, and the second case is the accumulation of the deficit to lead to a liquidity problem represented by the inability of Iraq to pay its obligations and dues day by day, month by month and year. It has been shown that the relationship between GDP, economic growth rates and the price of oil is weak, and that the steady increase was behind the increase in quantities of production in addition to the increase in the price of oil. As for the absence of an economic diversification strategy, whether in production or foreign trade, and the absence of foreign direct investment, many political, security and economic reasons are behind it, which the government has been unable to address. As for import, the balance of payments data indicated the status of the trade balance of exports and imports, and the status of the external balance, which indicates a negative situation in the table. (2), and Figure (1) shows the convergence of changes in the three factors.

Table-2

Some indicators of the Iraqi trade balance for the period 2013-2021

lanretxe ecnalab	tropmi	stropxe	edart ecnalab	raey eht
-1.3	-28.4	38.3	9.9	2013
-10.3	-29.4	40.6	11.2	2014
-7.1	-31.5	31.1	0.1	2015
-3.5	-29	30.4	-0.3	2016

-2.3	-30.5	32.8	-0.8	2017
-3.3	-28.8	32.6	1.3	2018
-0.3	-27.3	29.7	2.2	2019
-0.1	-25.9	28.9	2.8	2020
0.9	-24.8	28	3.2	2021

Source: IMF reports 2013, 2015, 2018, 2020, 2021

2-Oil exports X_O to GDP.

This criterion reflects the dominance of oil over economic activity in Iraq. It is clear from the table that this criterion achieved for the average period 2004-2021 about 47%, which reflects the dominance of oil over Iraqi economic activity, as the percentage is close to half. The highest importance of oil exports to the gross domestic product was in 2005, reaching 51.7%. The contribution of oil exports decreased in 2014 to the lowest percentage due to the shock of the drop in oil prices, as it reached 35%, compared to 43%. Also, due to the Corona shock and the drop in oil prices, this importance decreased to 42% in 2020, down from 48% in 2018. Figure (2) shows the relationship between the two variables.

Table (3)

The relative importance of oil exports in the GDP billion dollars

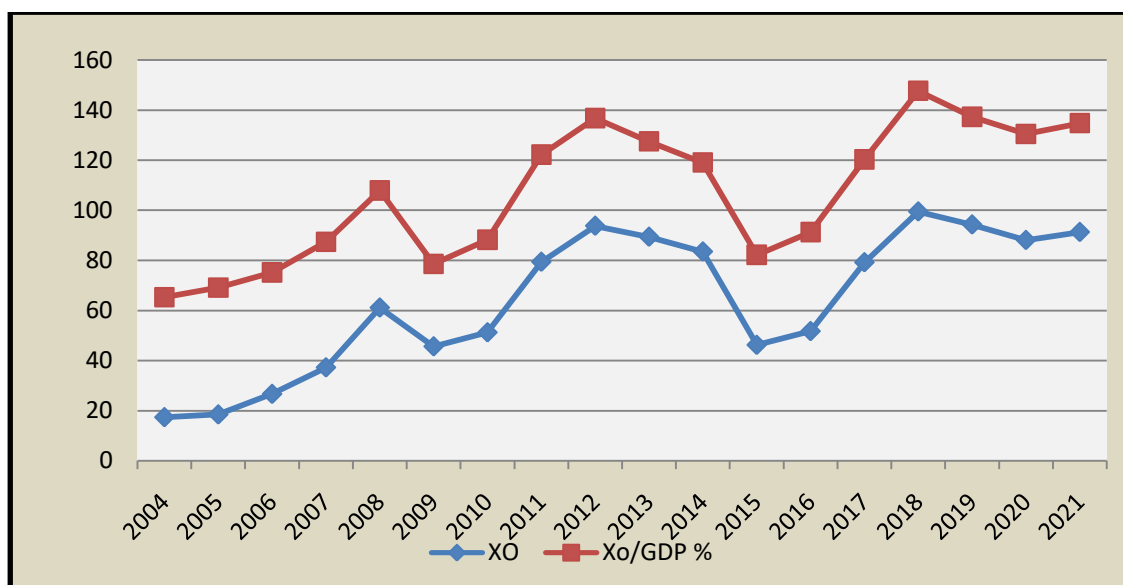
$\frac{X_o}{GDP}\%$	GDP	lio ostopxe	raey eht
48	36.1	17.3	2004
50.7	36.3	18.4	2005
48.6	54.7	26.6	2006
50.2	74.1	37.2	2007
46.8	130.5	61.1	2008
33	111.6	45.6	2009
37	138.4	51.2	2010
42.8	185.4	79.4	2011
43	217.8	93.8	2012
38.1	234.6	89.4	2013

35.6	234.5	83.5	2014
36.0	177.5	46.2	2015
39.6	174.9	51.7	2016
41.1	192.7	79.2	2017
48.2	205.6	99.5	2018
43	219.4	94.3	2019
42.4	207.8	88.1	2020
43.5	209.7	91.3	2021

Source: IMF and World Bank reports(2004-2021)

shape (2)

Changes in X_O and X_o/GDP for 2004-2021



) Source: Prepared by the researcher based on the data in Table (3)

3-Oil revenue R_O to total revenue TR and GDP.

Oil revenues are subject to the conditions of supply and demand in the world market, which are characterized by changes subject to them to multiple factors especially in the short term leading to small and sudden shocks of great impact on oil prices and the following difficulty in predicting the stability of oil revenues, and the following difficulty in obtaining a position of stability in order The growth and economic development of Iraq, and many lessons can be drawn from its continued dependence, and the Iraqi economy is based on oil as a single commodity. Iraq's continued dependence on oil revenues, may lead to more debt, especially sovereign debt, which makes the Iraqi economy a declining economy. Because of external variables, the continued lack of guidance for any oil-producing country in drawing up its investment policies, its inability to benefit from its oil revenues, and the introduction of a policy of borrowing from abroad could lead to an increase in its debt levels and accumulation, a decline in creditworthiness, and its inability to achieve growth

and development. As well as if the economy suffers from the distortion of its various economic activities. It does not enable him to improve the level of well-being of the individual and society. It is clear from the data in Table (4) and Figure (3) that the proceeds of oil revenues in the years 2004-2021 counted the recent war and the occupation of Iraq and the lifting of international sanctions imposed on the country. The contribution was in 2004 (32.6), which was the lowest during the research period and decreased in 2006 and 2007 as a result of the deterioration of the security situation and the destruction of infrastructure. Oil revenues continued to increase significantly in the following years. and higher contribution rates, mainly due to higher global oil prices, and increased oil and gas exports. As a result, oil revenues rose. Oil revenues decreased in 2009 to 50.19 billion dollars, after they were in 2008 - a peak of 76.29 billion dollars, and the percentage of contribution to total revenues decreased from (94.6%) in 2008 to (90.9%) in 2009, and the reason for this decline was as a result of the collapse of oil prices The impact of the financial crisis that the global economy witnessed during that period, which indicates the extent to which the situation reflected the external influence on the local economy of the oil-producing country. Oil revenues increased in the subsequent years to reach (100) billion dollars in 2014. The contribution rate reached (95.7%) as a result of the improvement in international oil prices, but it quickly declined in 2015 to (78.65) billion dollars, and a share of (83.6) in cent, which is the lowest contribution rate. For the post-2003 period, the reason was due to the significant decline in world oil prices and declining revenues.

Table (4)
The relative importance of oil revenues in total revenues and GDP billion dollars

$\% \frac{R_o}{GDP}$	$\frac{R_o}{TR} \%$	الإيرادات الكلية TR	الإيرادات النفطية R_o	السنة
65.8	98.8	32.98	32.6	2004
66.6	97.6	40.43	39.44	2005
64.7	95.6	49.05	46.87	2006
53.2	94.5	54.96	51.95	2007
55.2	94.6	80.64	76.29	2008
38.2	90.9	55.24	50.19	2009
42.3	90.6	70.17	63.59	2010
50.1	90.3	108.8	98.24	2011
48.7	92.9	119.81	111.32	2012
44.5	92.6	113.84	105.45	2013
45.5	95.7	105.26	100.77	2014
36.3	83.6	94.04	78.65	2015
31.8	81.2	54.4	44.26	2016
37.8	84.1	77.45	65.08	2017
44.2	89.7	106.56	95.6	2018
39.3	91.5	107.3	98.2	2019
32.3	88.77	73.44	65.2	2020

31.8	84.8	81.8	69.4	2021
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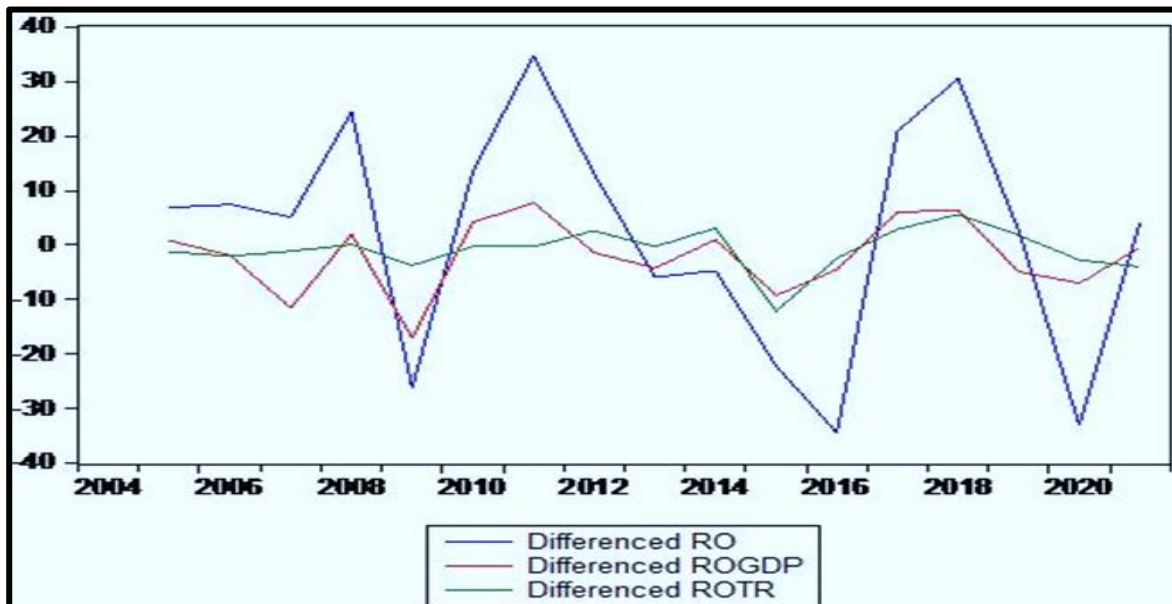
Source: Ministry of Finance - Economic Department - tables of final accounts

<https://www.albankaldawli.org/ar/home>- World Bank, data for each country

It is clear from the foregoing that oil revenues take the largest share of the total revenues and are considered a variable dependent on an independent variable (oil price), which in turn was considered a second variable for global demand for oil and global economic growth. What I mean is that this variable is characterized by instability, and that this resource is considered a source of strength for the crescent. Credit is given to the sponsoring countries, so we can't count on it much to support those crescents, and so these countries can't be pleased to meet their financial obligations and especially the sovereign debts. By reviewing the structure of public revenues in the general budget of Iraq, it becomes clear that the entire Iraqi economy is the cycle of oil revenues, but it is accompanied by a paralysis in the ability of financial instruments to confront it. The course of the cycle, and the subsequent reversal in oil revenues, continues with the decline in public financing of public activity. Which is dominated by the public sector, which accelerates the stagnation cycle in its direction. Which requires diversifying this source to enhance revenues in both quantitative and qualitative terms to increase the economy's capacity and make it more stable and effective to serve as a linking base to enhance and increase the credit capacity in Iraq. And the government's ability to meet its financial obligations to the lending countries.

shape (3)

Change in R_O , R_O/TR and R_o/GDP for the period 2004-2021



) Source: Prepared by the researcher based on data from Table (4)

Secondly. The performance of the overall Iraqi economy indicators for the period 2004-2021

Table (5) and Figure (4) show each of the Iraqi oil prices O_p and the GDP deflator index (inflation rate) $[[D]]_GDP$ and the real GDP growth rate $Ge\%$ and the relative importance of oil output from the real GDP $[[Oil]]_GDP/GDP$. It is clear that oil prices were on an upward trend during the

period 2004-2008 and fell after 2008 to reach \$71.6/barrel in 2009 due to the financial crisis and then rebounded to reach a maximum in 2011, achieving 105.5 dollars/barrel. Because of the reverse oil shock in 2014, oil prices collapsed to reach 32.5 in 2016. There was some improvement in the price of Iraqi oil barrels in 2017 and 2008 to reach 65.6 dollars/barrel, and then decreased again due to the shock of low global oil prices and the Covid pandemic. -19 to reach 56 dollars/barrel in 2021.

Table (5)**Real growth rate of GDP, oil output, inflation rate and oil prices**

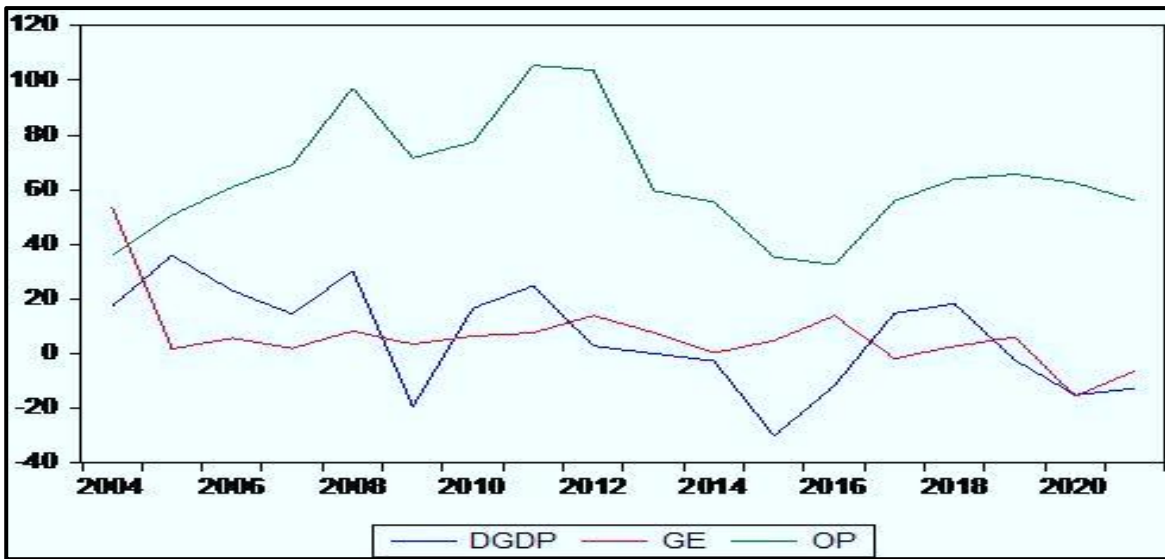
$\frac{Oil_{GDP}}{GDP}$	Oil_{GDP}	Ge %	D_{GDP}	secirp lio O_p	raey eht
54.3	32.9	---	17.3	36.1	2004
50.9	46.9	1.7	35.9	50.6	2005
47.07	43.3	5.6	23	61	2006
41.6	54.6	1.9	14.4	69.1	2007
39.8	49.1	8.2	30.2	97.2	2008
42.8	55.5	3.4	-19.5	71.6	2009
41.05	55.7	6.4	16.6	77.4	2010
41.8	56.8	7.5	24.7	105.4	2011
42.05	62.2	13.9	2.7	103.8	2012
41.1	71.3	7.6	0.0	59.5	2013
42.8	74.3	0.2	-2.8	55.5	2014
40	76.3	4.7	-30.2	35.3	2015
45.6	71.2	13.8	-11.8	32.5	2016
48.5	76.5	-1.8	14.7	55.8	2017
47.8	77.6	2.6	18.2	63.8	2018
48.1	77.5	6	-2.5	65.6	2019
42.21	69.8	-15.7	-15.2	62.4	2020
40.82	65.3	-6.3	-12.8	56	2021

Source: OAPEC, annual reports, 2008, 2012, 2016, 2021

World Bank, Iraq data, <https://www.albankaldawli.org/ar/home>

shape (4)

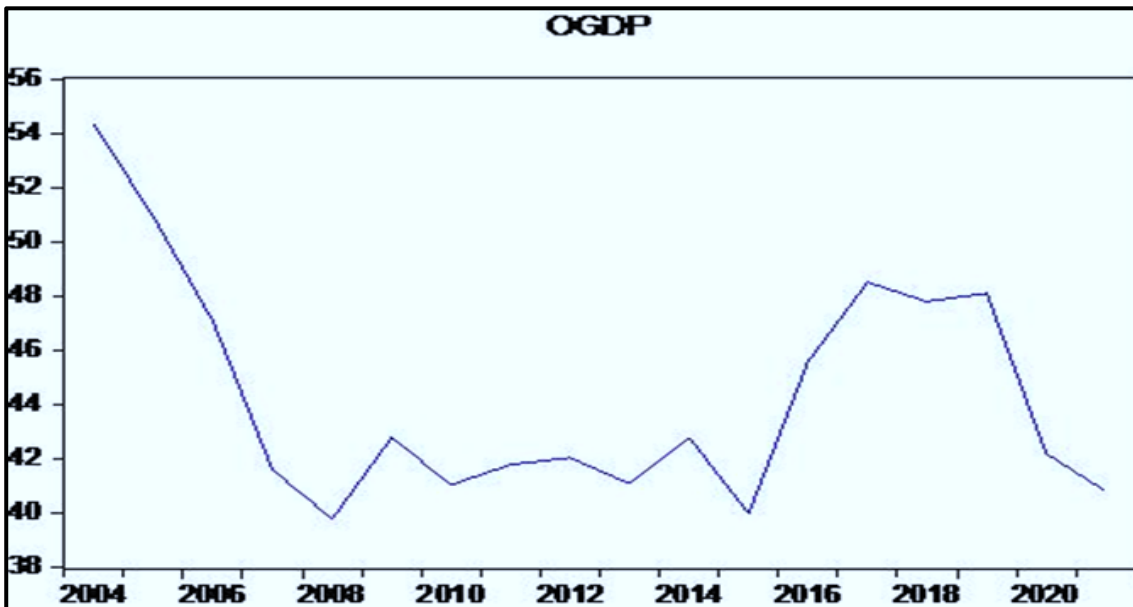
Change in Op, DGDP and Ge for the period 2004-2021



Source: Prepared by the researcher based on the data in Table (5).

shape (5)

For the period(2004-2021)Evolution of the $\frac{Oil_{GDP}}{GDP}$



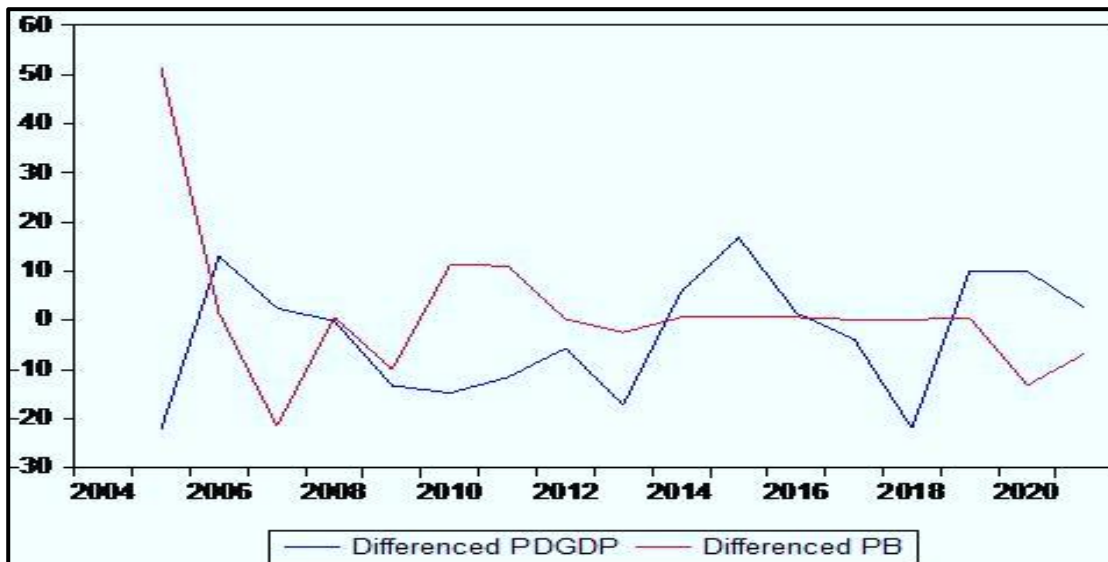
Source: Prepared by the researcher based on the data in Table (5)

The resulting D_GDP contraction achieved negative values in both the global financial crisis of 2008, the shock of the drop in global oil prices in 2014, the shock of Covid-19 and the drop in global oil prices in 2020 amounting to -19.2, -2.8, -15.2, respectively. In other words, the results of the three shocks were a stagnation in Iraqi economic activity that reflects its unilateral dependence on the oil resource. As for the real output growth rate, its highest value was in 2012, reaching 13.9,

and its lowest value in the years of the global financial crisis, the oil shock in 2014, the Covid-19 shock, and the drop in global oil prices in 2020, achieving a negative growth rate of -19.2, -30.2, -15.2, respectively, reflects the strong correlation between economic activity in Iraq and oil conditions in the global market. Oil output rose in 2004 from \$32.9 billion to \$54.6 billion in 2007 and declined in 2008 due to the public financial crisis and rose again to reach its maximum in 2018, reaching \$77.6 billion. And it declined again in 2020 and 2021 by \$69.8 and \$65.3 billion due to the oil price shock and COVID-19. As for the importance of oil production in the GDP, on average for the period 2004-2021 it amounted to more than 48% of the real total GDP, that is, close to half. The largest contribution of oil output to the real GDP was in 2005, reaching 50.9%, and the lowest contribution to it in 2008, which amounted to 39.8. The reason for the decline in relative importance is the occurrence of the financial crisis and the decline in international oil prices. The second lowest contribution was in 2021, reaching 40.8 due to the recent crisis. Figure (5) shows the evolution of the contribution of oil production to the real GDP. It is noted that this percentage fluctuates according to the international fluctuations in oil prices and its shocks. As shown in Figure (6) of the relationship between the initial financial balance and the ratio of public debt to output, there is a positive relationship and they are similar in fluctuations, which gives the impression that they are moving in a common direction.

shape (6)

The relationship between the primary balance P_b and the ratio of public debt to output $\frac{PD}{GDP}$ for the period 2004-2021



Source: Prepared by the researcher based on the data in Table (7).

Third. Correlation relationships between oil, financial and monetary variables in the Iraqi economy

Throughout the research period 2004-2021, oil has largely maintained its dominant position in the current account as the main export commodity, as well as in the public finance sector. The relative importance of oil output to GDP is also important but at a much lower level than the other two levels. The high degree of oil hegemony in the Iraqi economy and the lack of public financial

mechanisms to effectively protect the local economy from oil price shocks, contributed to the explanation of the significant volatility observed in the main macroeconomic indicators, especially during the past two decades, as shown by the analysis of Table (5) and Figure (4), (5) and (6). Since 2004, the Central Bank has intervened in the money market in an attempt to control liquidity and by using its indirect monetary tools. At times, the intervention was very active, especially during periods of expansion of the large monetary base from financial sources. However, if we take the foreign reserves of the bank and this is another indicator of the existence of oil hegemony / financial hegemony: monetary expansion resulting from the continuous increase of oil-financed government expenditures cannot be compensated permanently by increases in the obligations of the central bank. Sooner or later, the central bank has to give up its foreign reserves or give up its main objective of price stability.

And to demonstrate the role of oil in the Iraqi economy and the importance of the hypothesis of oil hegemony / financial hegemony, through contemporary correlation coefficients between oil-related variables and financial and monetary variables. And the main macroeconomic indicators for the period 2004-2021, the set of variables includes: Iraqi oil prices and oil exports (measured in US dollars), total public revenues and those related to oil (measured in dollars), primary fiscal expenditures, monetary base, nominal and real GDP, And the GDP deflator (as an indicator of domestic inflation). Simple correlations between growth rates using the arithmetic mean indicate:

1-Changes in nominal oil exports are mostly determined by oil price movements with very little effect on changes in volume.

2-Changes in oil financial revenues closely related to changes in oil exports. Moreover, changes in oil revenues in public finances present a high correlation coefficient with changes in total fiscal revenues and primary fiscal expenditures.

3-Changes in public finances: Primary spending is closely related to changes in nominal non-oil GDP growth, inflation (measured by the non-oil GDP deflator), and changes in nominal monetary value.

4-The correlation between the growth rates of primary fiscal spending and the growth of real GDP is very small and negative.

In terms of volatility (measured by the five-year moving variance of its growth rates), the pairwise correlation coefficients show the following:

1-The volatility of the growth rates of oil prices and nominal exports of oil are very similar, which again means that changes have the same effect. Changes in volume do not seem important in explaining variations in oil exports.

2-The volatility of the growth rate of oil revenues in public finances (one of the highest rates) appears to be closely related to the volatility of the growth rate of nominal oil exports.

3-It seems that the volatility of the primary fiscal balance and government spending is closely related to the volatility of variables directly related to the oil market (oil prices, oil exports, oil financial revenues), whose fluctuations appear significantly higher than the rest of the variables under consideration. In fact, the correlation between the variance of the growth rate of oil prices and the variances of other variables not directly related to oil is relatively small. However, it should be noted that fluctuations in oil prices and the monetary basis appear to be approaching after 2014.

Table (6)

Oil, financial and monetary indicators: mean and standard deviation for the period 2004-2021

2019-2021		2014-2018		2009-2013		2004-2008	
Standard Deviation	Average	Standard Deviation	Average	Standard Deviation	Average	Standard Deviation	Average

n		n		n		n		
27.6	-2.66	29.9	1.0	25.8	2.64	59.4	15.27	ΔO_p
23	-10.53	26	3.6	21	-5.8	2.8	3.25	ΔD_{GDP}
6.2	-9.66	8	6.02	4.8	22.6	2.5	18.88	ΔGDP
30.1	14.33	26.7	0.3	32.2	6.28	13	5.24	ΔMB
134.6	116.3	16.1	-21.4	173.9	5.8	4.2	-50	ΔNEX
7.4	93.66	5	90.74	8	98.8	20.2	98.1	$\frac{X_o}{X}$
5.4	42.96	6.5	39.84	4.5	38.6	8	48.86	$\frac{X_o}{GDP}$
12.8	88.35	7.1	86.86	13.8	91.46	15.2	96.2	$\frac{R_o}{TR}$
3.5	28.26	4	27.8	3.1	28.32	4.3	34.62	$\frac{RM}{GDP}$
1.5	26.0	0.9	34.14	1.8	38.7	0.9	42.56	$\frac{G^{CG}}{GDP}$

The importance of oil in determining developments in the public financial sector also supports the analysis of the role of local activities in explaining the fiscal deficit. All in all, the domestic primary deficit was much larger than the total deficit. Moreover, the dynamic five-period relationship between the domestic fiscal deficit and the aggregate deficit, in terms of GDP, is very low. In general, the simple correlation indicators discussed in this paragraph do not seem to contradict the hypothesis of oil / financial dominance in the Iraqi economy: the financial variables show the strength of the correlation with oil prices. On the other hand, the monetary basis and domestic prices show a close correlation with the primary financial expenditures. Interestingly, the simple correlation between real GDP and fiscal variables appears to be very weak.

Table (7)

Oil, financial and monetary variables in the Iraqi economy for the period 2004-2021

$\frac{PD}{GDP}$	P_b	$\frac{G^{CG}}{GDP}$	$\frac{RM}{GDP}$	$\frac{R_o}{TR}$	$\frac{X_o}{GDP}$	$\frac{X_o}{X}$	NEX	MB	GDP	D_{GDP}	O_p	السنة
87	-40.1	60.0	22.1	98.8	48	97.7	1453	8.40	36.1	17.3	36.1	2004
65	11.1	35.8	33.7	97.6	50.7	96.8	1472	9.37	36.3	35.9	50.6	2005

78	12.5	39.2	36.5	95.6	48.6	97.8	1475	11.87	54.7	23	61	2006
80.5	-9	35.3	42.4	94.5	50.2	98.1	1267	23.52	74.1	14.4	69.1	2007
80.3	-8.4	42.5	38.4	94.6	46.8	98.5	1203	35.62	130.5	30.2	97.2	2008
67	-18.4	43.2	39.7	90.9	33	98.2	1182	38.3	111.6	-19.5	71.6	2009
52.2	-7.2	36.2	43.7	90.6	37	99.6	1186	45.37	138.4	16.6	77.4	2010
40.6	3.9	41.8	33	90.3	42.8	99.7	1196	49.07	185.4	24.7	105.4	2011
34.9	4.1	43.9	32.2	92.9	43	99.6	1233	57.17	217.8	2.7	103.8	2012
17.7	1.6	32.0	32.7	92.6	38.1	99.5	1232	67.21	234.6	0.0	59.5	2013
23.4	2.2	33.8	27.8	95.7	35.6	99.4	1214	58.91	234.5	-2.8	55.5	2014
40.2	3	36.2	28.5	83.6	36.0	99.5	1247	50.56	177.5	-30.2	35.3	2015
41.7	3.6	34.1	25.4	81.2	39.6	73	1274	68.7	174.9	-11.8	32.5	2016
37.8	3.7	33.4	25.5	84.1	41.1	82.9	1258	65.7	192.7	14.7	55.8	2017
15.8	3.8	33.2	31.8	89.7	48.2	98.9	1125	67.1	205.6	18.2	63.8	2018
25.8	4.3	16.7	33	91.5	43	96	1121	78.2	222.4	-2.5	65.6	2019
35.7	-8.9	29.2	24.3	88.77	42.4	92	1190	88.8	172.0	-15.2	62.4	2020
38.2	-15.7	32.3	27.5	84.8	43.5	93	1474	110.1	176.5	-12.8	56	2021

Source: From the researcher's work based on: - Tables (1-5):

Central Bank of Iraq: annual reports for several years-

.The World Bank, Iraq reports, separate years-

International Monetary Fund, Iraq reports, separate years -

Conclusions:

1-It is proven that the Central Bank of Iraq acted subject to the financial authorities; With the effects of financial dominance in some monetary variables with statistical significance in the Iraqi economy.

2-The fluctuation of the initial financial balance and government spending is closely related to the fluctuation of variables directly related to the oil market (oil prices, oil exports, oil financial revenues), whose fluctuations appear significantly higher than the rest of the variables under consideration.

Recommendations:

1-The results can be used by the Central Bank of Iraq and the Ministry of Finance to make decisions on the monetary and fiscal policy actions that must be pursued in order to achieve Iraq Vision 2030.

2-Directly supporting the private sector in order to support the industrial and agricultural growth process in the Iraqi economy.

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