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Assessing the Monetary Stability Situation in Light of Changes in Public Spending, An Analytical Study of the Iraqi Economy for the Period (2010-2023)

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Abstract : This research, entitled Evaluating the Monetary Stability Status in Light of Changes in the General Agreement, an Analytical Study in the Iraqi Economy for the Period from 2010 to 2022, deals with the impact of changes in public spending on monetary stability in Iraq during the mentioned years.
The research begins by providing a comprehensive definition of monetary stability, explaining its importance in promoting economic growth and achieving balance in financial markets. It then reviews the changes witnessed in fiscal and monetary policies in Iraq, focusing on how they affect monetary stability. It relies on a periodic analysis of economic and financial data, examining the relationship between public spending levels and some key monetary indicators such as inflation, exchange rate, and cash liquidity. It also analyzes how oil prices affect public revenues and how political and economic crises have contributed to shaping public spending policies. In conclusion, the research emphasizes the need for coordination between fiscal and monetary policies to respond to ongoing economic changes, which contributes to enhancing monetary stability and achieving sustainable economic development in Iraq.

Keywords: Iraq, public spending, monetary stability, interest rate, gross domestic product.

Introduction: Monetary stability is considered one of the most important goals that countries seek to achieve, as it reflects the economy's ability to maintain the value of the local currency and confront various economic challenges. In Iraq, which has suffered from economic and political fluctuations for decades, the issue of monetary stability is of particular importance. Public spending is one of the main axes affecting monetary stability, as it can contribute positively or negatively to achieving this goal. Hence, the importance of studying the evaluation of the status of monetary stability in Iraq in light of changes in public spending for the period (2010-2023). At the beginning of the second decade of the twenty-first century, Iraq faced many economic challenges as a result of fluctuations in oil prices, on which the national economy is heavily dependent. This period witnessed fundamental changes in public spending levels, which affected monetary stability. Changes in public spending, whether increasing or decreasing, play a pivotal role in guiding economic and monetary policies. Therefore, it is important to understand how these changes affect monetary stability in Iraq.
This study is based on an analysis of economic and monetary data related to the study period, focusing on the relationship between public spending and monetary stability. The study will also address other factors affecting this relationship, such as fiscal and monetary policies, political fluctuations, and global economic conditions. Through this analysis, it is possible to clarify how public spending affects monetary stability and develop effective strategies to improve the monetary situation in Iraq.
He changes witnessed in public spending in Iraq during the period (2010-2023) were the result of multiple factors, including political and economic factors. Iraq witnessed a significant increase in public spending as a result of the rise in oil prices in the early years of the decade, which led to increased financial returns. However, this coincided with significant challenges, including corruption, weak institutions, and the impact of military conflicts. These factors resulted in complexities in managing public spending, which affected monetary stability
The monetary policies adopted by the government and the Central Bank of Iraq are key factors in assessing the monetary situation. Although there are policies aimed at maintaining monetary stability, economic and political challenges have hindered the achievement of these goals. Therefore, it is necessary to analyze how these policies interact with changes in public spending and their role in enhancing or reducing monetary stability.
Studying the assessment of the monetary stability situation in Iraq in light of changes in public spending requires an integrated analytical methodology. This will include collecting and analyzing economic and monetary data and studying the relationship between public spending and some monetary stability indicators, such as the monetary stability coefficient, the inflation rate, the exchange rate, and the interest rate. This analysis will help understand the

economic dynamics that affect monetary stability and provide applicable recommendations aimed at improving the monetary situation.

Importance of research.

The importance of this research lies in assessing the status of monetary stability in Iraq in light of changes in public spending in several aspects, making it of unique value to researchers, policymakers, and society as a whole. This research contributes to understanding the complex dynamics between public spending and monetary stability in Iraq, helping to analyze how public spending affects monetary stability. By providing a comprehensive analysis, officials can understand how to direct fiscal and monetary policies more effectively. It also contributes to achieving sustainable development by enhancing monetary stability, creating a more stable and prosperous economic environment that benefits current and future generations. Thus, the research appears as an important tool that is not limited to analyzing the current situation, but rather extends to being a fundamental pillar in building a more stable and prosperous economic future for Iraq.

Research problem.

The research problem is to evaluate the status of monetary stability in Iraq in light of changes in public spending during the period (2010-2023), as Iraq suffers from multiple economic challenges, including fluctuations in oil prices, administrative corruption, fluctuations in public spending, as well as weak monetary policies. These factors affect the government's ability to manage public spending effectively, which leads to a deterioration in monetary stability. Here, a set of questions emerges that include the research problem, the most important of which are:

1.What are the economic factors that influence the relationship between public spending and monetary stability? Is it easy to isolate the impact of each factor separately?

2.What are the main challenges facing the government in managing public spending and their impact on stability?

3.How can effective strategies be developed to improve monetary stability in the face of changes in public spending?

Answering these questions contributes to directing research towards achieving a deeper understanding of the relationship between spending General and monetary stability, and also helps identify key issues that need to be addressed by policymakers.

Research objectives.

This research aims to achieve a set of objectives that seek to understand the relationship between public spending and monetary stability in Iraq during the period (2010-2023). The following are the most prominent objectives that the research seeks to achieve:

1.The research aims to study how changes in public spending affect monetary stability, by analyzing economic and monetary data to better understand these dynamics.

2.The research seeks to evaluate the effectiveness of the fiscal and monetary policies adopted in Iraq, and to determine the extent of their impact on achieving monetary stability in the context of changes in public spending.

3.The research aims to identify other factors that may affect monetary stability, such as global political and economic conditions, which helps understand the broader context that affects the economy The Iraqi.

4. Opening new horizons for academic research in the field of Iraqi economics by presenting results that can be used as a basis for future studies.

Research hypothesis.

The research hypothesis is considered a key element that guides the study of evaluating the status of monetary stability in Iraq in light of changes in public spending. The hypothesis highlights that public spending has a greater impact on monetary stability, in contrast to the impact of monetary stability on public spending, which is characterized by a state of weakness, as changes in public spending affect the exchange rate and interest rates as indicators of monetary stability.

Chapter One: The theoretical framework for public spending and monetary stability

First: The conceptual framework for public spending and monetary stability.

1.The Concept, Importance, Objectives, and Effects of Public Spending.

A .The Concept and Importance of Public Spending.

In order to analyze and explain the relationship between public spending and monetary stability, we must clarify The concept of public spending, its components, importance, objectives, and economic effects, The general agreement is part of national spending, which is represented by all payments made by the government (the public sector) in order to obtain the goods and services necessary for it to perform its required role in the economy (James Guartini 1988 (98). Public spending is a cash amount issued by a public person with the aim of achieving a public benefit (Al-Ali, 2011 (38). It is noted from this definition that public spending has three main characteristics, represented by the monetary nature of public spending, issued by a public body (the government) and achieving a public benefit. Its components,

represented by government purchases, transfer payments, and interest on public debt, which affect economic activity Actual and are often used to stimulate aggregate demand, up or down.
The importance of public spending begins to increase, and its percentage of the national product rises with the government's increasing role in economic activity and its expansion of basic services such as building buildings, large investment projects, schools, hospitals, etc,Government spending has a direct impact on the level of aggregate demand, It is considered one of the cards of the government's budget and financial policy to achieve macroeconomic goals, maintain stability in the general price level, reduce sharp fluctuations, achieve monetary stability, and thus achieve a high level of employment, i.e., reduce unemployment rates and keep them to the minimum possible. When there is unemployment in the economy as a result of insufficient demand due to low incomes and price levels, the government seeks to stimulate the economy by implementing public spending and investment programs, thereby working to increase income, production, and employment. This will increase effective demand for the national economy, and through the government multiplier effect, the economy will move quickly towards full employment (Paul Samuelson 2001, 495-496)
The goal behind public spending must be to achieve the public benefit of individuals and society in general, satisfy their public needs, and achieve the public interest. We cannot apply the term public spending to expenditures that do not result in satisfying public needs or achieving a public benefit. This matter is based on two basic principles. The first is that public spending is based on the principle that the state satisfies public needs on behalf of individuals and that it is obligated to achieve a public benefit through satisfying public needs. The second principle is the principle of equality among members of society in the process of bearing public burdens (Ali, 2016 (16))

B.The Economic Effects of Public Spending.

Public spending has economic effects that can be explained as follows:(Al-Badri 2018 (275

(1)The direct effect of public spending on the gross domestic product: This means increasing production capacity in the form of investment spending, which increases production and the national product. Current spending can also be a reason for increasing the production of production factors through education, health, and culture.

(2) The direct effect of public spending on consumption: This continues through making economic, social, or political adjustments to the primary distribution related to the pursuit of distributing national income, i.e., among individuals, including consumers. These adjustments are made through transfer expenditures between factors of production, branches of activity, or geographical regions.

(3) The effect of public spending on the rate of economic growth, as the rate of economic growth can increase as the investment spending increases, and capital accumulation grows without investment, and vice versa.

2.The theoretical framework of monetary stability and the factors affecting it.

A. The concept of monetary stability and its importance.

Although economic stability overlaps with monetary and banking stability, it is considered a more comprehensive stability at the level of the economy as a whole, and monetary stability is part of it. The concept of monetary stability is linked to the issue of monetary policy as a major tool of general economic policies, which in turn seeks to achieve monetary stability (Cota & Olivo 2008, 142). The role of the central bank is of paramount importance in establishing a sound monetary policy that is highly effective in achieving monetary stability in the first place. Within this framework, monetary stability is linked to monetary policy. Monetary stability is represented by the ability of the banking system to achieve stability in the general level of prices at the targeted levels, and the existence of a clear structure for interest rates that is consistent with local and international economic developments and can, with an appropriate degree of efficiency, regulate the quantity, prices, and conditions of credit in a way that supports economic growth and prevents the concentration and accumulation of credit risks, especially with regard to the sectors most vulnerable to fluctuations (Al-Shadhili 2014 (17)). Monetary stability can be described as a state in which prices do not change significantly, meaning that individuals cannot buy more goods and services if prices rise, leading to the emergence of Inflation is the stability of the general price level, the stability of the exchange rate, and the stability of the appropriate interest rate structure.

B. Factors affecting monetary stability.

(1) Money supply: The growth of the money supply at a rate exceeding the rate of economic growth indicates that a large amount of money corresponds to a small or fewer amount of goods and services, which leads to inflation (Farhan ,2011، 146)) .

(2) Inflation: Inflation is more widespread when the increase in monetary issuance is accompanied by an increase in the general contract, which is financed by local loans rather than taxes. Inflation is one of the factors affecting monetary stability (Mallit 2018 (22).

(3) Interest rate: The equilibrium interest rate is what creates balanced economic growth. When there is an imbalance in this rate, whether it rises or falls, instability occurs in the national economy. A rise in the interest rate leads to a reduction in borrowing and thus a reduction in spending, which leads to a slowdown in economic activity. However,

in the case of a reduction in interest rates, it encourages investment growth and an increase in consumption and creates inflation in the economy if it continues for long periods. If instability occurs in interest rates, it is reflected in commodity prices and also in the process of economic growth and national income, and in the unemployment rate, and thus monetary instability (Saad 2013 (55)).

(4) Exchange rate: It is one of the important factors affecting monetary stability. Its importance lies in the fair exchange rate in the balance of exports and imports and in reducing the trade deficit. If the value of the local currency is low, exports become more competitive. It also affects inflation, as the depreciation of the currency increases the cost of imported goods, which may lead to higher prices. A fair and stable exchange rate also works to stimulate capital flows and attract foreign investors.

Second: The nature of the relationship between public spending and monetary stability.

The relationship between public spending and monetary stability can be clarified by explaining the relationship between the government's contractual policy and some indicators of monetary stability as follows:

1.The relationship between public spending and monetary stability.

The relationship between public spending and monetary stability is a vital topic in macroeconomics, as fiscal and monetary policies play a pivotal role in achieving economic stability. Some economists indicate that public spending can enhance monetary stability by increasing aggregate demand. According to a study conducted by Smith & Jones (2021), increasing government spending during recessions can stimulate economic growth and reduce unemployment, which contributes to price stability (Smith &Jones:2021,67).

On the other hand, some experts warn that excessive public spending may lead to an increase in the fiscal deficit, threatening monetary stability, According to Brown (2020), an increase in public debt as a result of ill-considered government spending can lead to higher interest rates and exchange rate fluctuations(Brown: 2020, 112-130).

There are also views calling for a balance between public spending and monetary stability. According to Taylor (2022), fiscal policies must be carefully designed to ensure that public spending does not exceed limits that could negatively affect monetary stability (Taylor, 2022, 78).

Since public spending is the sum of government expenditures on goods and services, including education, health, infrastructure, and social support, public spending is a key tool for achieving economic and social goals, such as reducing unemployment and stimulating economic growth. It is an effective means of stimulating economic growth, especially during times when economies are suffering from recession. By increasing spending on public projects, governments can create jobs and increase aggregate demand, which leads to improved monetary stability (Keynes, 1936, 123).

On the other hand, excessive public spending can lead to increased inflation, which negatively affects monetary stability. When government expenditures exceed the economy's capacity to produce, this can lead to higher prices, putting pressure on monetary policy (Friedman, 1968،10)

Monetary policy plays an important role in determining how public spending affects monetary stability. When the government adopts an expansionary fiscal policy, the central bank must take appropriate measures to maintain price stability. If there is no coordination between fiscal and monetary policies, this may lead to monetary instability (Blinder, 2006, 5).

In this regard, the classicists believe that public spending should be limited, as they believe that the free market is the most efficient way to allocate resources. According to this view, excessive government intervention can lead to market distortions and negatively affect monetary stability (Hayek) 1944:78).

In contrast, Keynesian economists emphasize the importance of public spending in stimulating the economy, especially during recessions, They believe that the government should intervene to increase aggregate demand through public spending.(Krugman, 2009,45) This contributes to achieving monetary stability.

The relationship between public spending and monetary stability is highly complex, as fiscal and monetary policies overlap in a way that affects economic performance. It is important for governments to adopt balanced fiscal policies that take into account the impact of public spending on monetary stability, while also coordinating with monetary policies to achieve the desired economic goals.

The relationship between public spending and monetary stability can be understood by identifying the relationship between the general agreement and some indicators of monetary stability, as follows:

1.The relationship between public spending and the monetary stability coefficient.

The relationship between public spending and the monetary stability coefficient, which is represented by the ratio of money supply to GDP, is a fundamental issue in macroeconomics. This research seeks to analyze how public spending affects monetary stability by examining the relationship between money supply and GDP, while presenting different perspectives on this topic. This indicator (the monetary stability coefficient) refers to the difference between money supply growth and GDP growth. This coefficient reflects the stability of the monetary system in an economy. Changes in the money supply can have significant effects on economic growth and inflation. When the government increases public spending, it injects more money into the economy, which leads to an increase in the money supply. This can have a positive effect on economic growth, but if spending is ill-advised, it can lead to increased inflation (Friedman 1968 (10)), Increased public spending can lead to an increase in GDP, especially during times when economies are suffering from recession. When money is invested in infrastructure projects or public services, this can lead to job creation and increased productivity (Keynes 1936 (123)).What is important is that there is a balance between public spending and the money supply. If public spending increases significantly without a corresponding increase in GDP, this may lead to an increase in the money supply-to-GDP ratio GDP, indicating monetary instability (Blinder, 2006،5). Regarding the effect of public spending on the monetary stability coefficient, when the government increases public spending, it injects more money into the economy, which leads to an increase in the money supply. This can have a positive effect on economic growth, but if spending is ill-advised, it may lead to increased inflation. (Friedman: 1968, 10).

An increase in public spending can lead to an increase in GDP, especially in times when economies are experiencing a recession. When money is invested in infrastructure projects or public services, this can lead to job creation and increased productivity. What is important is that there is a balance between public spending and the money supply. If public spending increases significantly without a corresponding increase in GDP, this may lead to an increase in the money supply-to-GDP ratio, indicating monetary instability (Blinder, 2006,5).

2. The Relationship Between Public Spending and Interest Rates.

The relationship between public spending and interest rates is a vital topic in macroeconomics, as this relationship significantly affects economic performance and growth, Central banks use interest rates as a tool to control the money supply. When they lower interest rates, banks encourage businesses and individuals to borrow, which leads to increased spending, When the government increases public spending, it needs to finance this spending, which can lead to increased demand for borrowing. According to crowding-out theory, this increased demand can lead to higher interest rates (Friedman: 1968,10). Conversely, interest rates influence public spending decisions. When interest rates are high, borrowing costs may be higher, which may prompt the government to reduce public spending. This can negatively impact economic growth, If the government increases its spending significantly without considering the impact on interest rates, this could lead to economic instability (Blinder, 2006,5). In this regard, classical economists believe that public spending should be limited, as they believe that the free market is the most efficient way to allocate resources According to this vision, excessive government intervention can lead to market distortions and negatively affect interest rates (Hayek, 1944: 78).

Usually, central banks are the ones who set interest rates. When adopting an expansionary fiscal policy, monetary policy should adopt mechanisms that contribute to the success of this task by increasing the money supply, which will be reflected in reducing the interest rate, leading to an increase in demand for credit for investment and consumption purposes. However, if a contractionary fiscal policy is adopted, monetary policy can take measures to absorb the excess money supply by reducing the money supply in line with the contractionary policy, to align the interest rate and its adjustments in response to developments in the real economy to curb rising prices, which exercises a kind of discipline that curbs high interest rates (Abdul and Khamis 2019, (13)).

Section Two: Analysis of some indicators of public spending and monetary stability.

First: Analysis of some indicators of public spending.

1.Analysis of the development of public spending in Iraq for the period (2010-2023).

Public spending is a tool used by the state to achieve multiple goals according to the nature of the existing economic system. It has occupied great importance in economic studies and has become a basic pillar adopted by the state to achieve its general goals as it reflects public spending in its current and investment aspects. To clarify the role of public spending, we will analyze current and investment public spending and the relative importance of both in total public spending

It is noted from the data in Table (1) that public spending during the years (2010-2013) shows that public spending in Iraq witnessed significant fluctuations between increase and decrease during the period from 2010 to 2023. Growth in public spending depends on a set of factors, including oil prices, political crises, and economic policies. It is necessary for the government to adopt effective strategies to enhance investment spending and achieve sustainable economic stability. Throughout the period, it was affected by multiple economic and political factors.

This year witnessed the beginning of a relative recovery in the economy after years of conflict, which led to a significant increase in current spending, especially in the areas of salaries and social support (Central Bank of Iraq 2021 (15)). As a result of the increase in oil prices in boosting government revenues, which allowed for an increase in current spending, while investment spending remained limited in 2011 (Iraqi Ministry of Planning 2012 (20), but it was exposed to negative shocks during the years 2013-2016) and negative growth due to the events that the country was exposed to as a result of the entry of the terrorist organizations ISIS and the decline in oil prices, which then reduced the volume of public spending to 67067 billion dinars and its decline in both its current and investment forms.

In 2019, the percentage of current spending and then investment increased due to the increase in oil revenues that contributed to strengthening current spending, but corruption and mismanagement hindered the implementation of investment projects (Iraqi Ministry of Planning 2012 (35). Due to the impact of the COVID-19 pandemic, it led to a significant reduction in the investment agreement compared to the increase in current spending. At a time when the annual growth of total public spending decreased to reach 76,083 billion dinars this year after it was about (111729) billion dinars in 2019, (the Central Bank of Iraq: 2021 (32)). During the years 2021-2023, the current spending rate stabilized around 83.01% in 2023, and then the total general agreement increased to(142436) billion dinars due to the recovery of oil prices, which contributed to improving public revenues, allowing for an increase in spending in both investment and current forms, although economic and political challenges still affect the effectiveness of investment spending. (The Iraqi Ministry of Planning: 2023 (45))

Table (1)
Development and trends in public spending in Iraq for the period (2010-2023)

Year	GDP At Current Prices	Public Spending	Growth Annual Public Spending	Investment Spending	Current spending	Current expenditure contribution	Investment spending contribution	' General trend of total public spending%
2010	162065	70134		15553	54581	77.82	22.18	43.28
2011	217327	78758	12.3	17832	60926	77.36	22.64	36.24
2012	254226	105140	33.5	29351	75789	72.08	27.92	41.36
2013	273588	119128	13.3	40381	78747	66.1	33.9	43.54
2014	266333	113473	-4.75	35487	77986	68.73	31.27	42.61
2015	194681	70398	-37.96	18565	51833	73.63	26.37	36.16
2016	196924	67067	-4.73	15894	51173	76.3	23.7	34.06
2017	221666	75491	12.56	16465	59026	78.19	21.81	34.06
2018	268919	80873	7.13	13820	67053	82.91	17.09	30.07
2019	276158	111724	38.15	24423	87301	78.14	21.86	40.46
2020	215662	76083	-31.9	3209	72874	95.78	4.22	35.28
2021	301153	102850	35.18	13323	89527	87.05	12.95	34.15
2022	415629	116959	13.72	12018	104941	89.72	10.28	28.14
2023	330046	142436	21.78	24193	118243	83.01	16.99	43.16

Source: prepared by the researchers based on
1.The Central Bank of Iraq, General Directorate of Statistics and various annual research bulletins.
2.The Central Bank of Iraq, General Directorate of Statistics and Research, Annual Economic Report, various years.
3.The Ministry of Finance, Open Budget.
4.The Central Bank's website https://cbi.iq/

2.Analysis of the General Trend Index of Public Spending.

Through this indicator, the trends of the government's spending policy and its path of intervention in economic activity can be identified. It can be obtained from (the ratio of total public spending to GDP). The ratio of the contribution of total public spending to GDP is considered one of the vital economic indicators that reflects the extent of the impact of government spending on the national economy. In Iraq, this ratio witnessed noticeable fluctuations during the period from 2010 to 2023, affected by multiple factors such as oil prices, political crises, and general economic conditions, From the previous table (1), it is clear that the General Trend Index.

In 2010, there was a relative recovery in the economy after years of conflict, which led to an increase in public spending. However, the growth in GDP was not commensurate with the increase in spending, resulting in a relatively low ratio. (Central Bank of Iraq, 2021 (15)).

The ratio continued to decline due to the increase in public spending, but the growth in GDP was not sufficient to compensate for this increase. Spending focused on salaries and social support, but it increased until 2013.

Due to the increase in public spending exceeding the GDP, in subsequent years, the general trend in public spending did not return to stability until 2023, due to the continuation of financial pressures before 2023 as a result of the decline in oil prices and the security crisis(Central Bank of Iraq, 2021 (25))

Second: Analysis of some monetary stability indicators.

In this research, we will discuss two of the most important monetary stability indicators, which are:

1.Interest rate analysis.

Interest rates and the policy rate are among the main tools used by the Central Bank of Iraq to achieve monetary and economic stability. These rates play a vital role in guiding economic activity as they affect investment and consumption decisions. In this analysis, we will study the development of the policy rate and the interest rate on primary and secondary credit in Iraq during the period from 2010 to 2023, explaining the reasons for the increase and decrease in these rates.

In the years (2010-2015), it is noted that there was clear stability in both the policy rate (bank rate)and in the interest rates on primary and secondary credit.

due to the stability of the security situation after the withdrawal of US forces, which contributed to strengthening confidence in the economy and increasing demand for credit as a result of improved economic activity, Central Bank of Iraq 201115)

As a result of the increase in oil revenues resulting from the rise in global oil prices after 2021 and the government's efforts to improve monetary stability and enhance confidence in the Iraqi dinar, the secondary interest rate stabilized at 7% (Ministry of Planning, Iraq: 2023 (45))

Table (2)

Interest rate development in Iraq for the period (2010-2023)

Year	Policy rate %	Initial credit interest rate %	Initial credit interest rate %
2010	6.3	8.3	9.3
2011	6	8	9
2012	6	8	9
2013	6	8	9
2014	6	8	9
2015	6	8	9
2016	4.3	6.3	7.3
2017	4	6	7
2018	4	6	7
2019	4	6	7
2020	4	6	7
2021	4	6	7
2022	4	6	7
2023	7.5	9.5	10.5

Source: Prepared by the researchers based on:

Central Bank website /https://cbi.iq/

Accordingly, it can be said that policy rates are affected by several factors, including: economic crises lead to changes in policy rates, as the Central Bank seeks to achieve monetary stability, and changes in the Central Bank's monetary policies affect the stability of the interest rate, and the Iraqi economy's heavy dependence on oil revenues, and any decline in oil prices negatively affects revenues public, including oil.

2.Analysis of the Monetary Stability Coefficient.

It is a quantitative measure resulting from analyses of the quantity of money supplied for the purpose of achieving economic goals, The dimensions of the monetary stability process are measured through this coefficient, and thus we can judge the level of economic stability This measure depends on the money supply and its development to express the development of means of payment in the economy, in addition to the real gross domestic product and its development to express the amount of transactions occurring in society, and the value of the coefficient indicates the level of monetary stability within the economy, and through the monetary stability coefficient, if the rate of change in the quantity of means of payment is equal to the rate of change in the real gross national product, a state of monetary stability is achieved, prices are stable, and there is no inflation or recession. However, if the means of payment increase over the volume of transactions (product), this will cause inflationary pressures to appear and a state of monetary imbalance occurs within the economy. Conversely, when there is a decrease in the quantity of means of payment over the volume of transactions, recessions will appear, prices will decrease, and unemployment will gradually appear, and thus the state of monetary stability will disappear, which is the basic pillar for achieving economic stability (Abdul Hadi & Abbas: 2022, 234). Table (2) clarifies the reality of this indicator, as it is clear from it that there is a state of monetary instability throughout the research period, considering the fluctuation in the growth of money supply on the one hand and the growth of the gross domestic product, so during the years (2011- 2012) GDP growth outpaced broad money supply growth, while during the years (2013-2016) The opposite is true, with GDP growth outpacing broad money supply growth, and thus monetary instability. The situation continued in subsequent years until the end of the research period in 2023. This is attributed to several factors, including fluctuations in oil prices and, consequently, GDP, as well as the security situation in some years of the period.

Table (3)

Development of monetary stability indicators in Iraq for the period (2010-2023)

Year	public spending	Annual Growth %	M2	Annual Growth %	Interest Rate %	GDP at Current Prices	Annual Growth %	Monetary Stability Factor
2010	70134		60286.1		9.3	162065		
2011	78758	12.3	72177.9	19.73	9	217327	34.1	-14.37
2012	105140	33.5	77187.5	6.94	9	254226	16.98	-10.04
2013	119128	13.3	89512.1	15.97	9	273588	7.62	8.35
2014	113473	-4.75	92988.9	3.88	9	266333	-2.65	6.54
2015	70398	-37.96	84527.3	-9.1	9	194681	-26.9	17.8
2016	67067	-4.73	90466.4	7.03	7.3	196924	1.15	5.87
2017	75491	12.56	92857.1	2.64	7	221666	12.56	-9.92
2018	80873	7.13	95390.7	2.73	7	268919	21.32	-18.59
2019	111724	38.15	103441.1	8.44	7	276158	2.69	5.75
2020	76083	-31.9	119906.3	15.92	7	215662	-21.91	37.82
2021	102850	35.18	139885.9	16.66	7	301153	39.64	-22.98
2022	116959	13.72	168291.4	20.31	7	415629	38.01	-17.71
2023	583920.4	399.25	180976	7.54	10.5	330046	-20.59	28.13

Source: prepared by the researchers based on

1.The Central Bank of Iraq, General Directorate of Statistics and various annual research bulletins.

2.The Central Bank of Iraq, General Directorate of Statistics and Research, Annual Economic Report, various years.

3.The Ministry of Finance, Open Budget.

4.The Central Bank's website https://cbi.iq/

Section Three: Analysis of the Relationship Between the General Agreement and Monetary Stability.

The relationship between public spending and monetary stability is an important issue affecting the Iraqi economy. Monetary stability is represented by the monetary stability coefficient, which reflects the difference between the growth of the money supply and the growth of the gross domestic product. In this analysis, we will study the relationship between public spending and both the interest rate and the monetary stability coefficient in Iraq during the period from 2010 to 2023, explaining the reasons for the changes in this relationship.

First: Analysis of the relationship between public spending and the interest rate

The relationship between public spending and the interest rate on secondary credit in Iraq is a vital topic, as it reflects the impact of fiscal and monetary policies on the economy. This relationship is significantly affected by oil price fluctuations and political and economic crises. By analyzing data from 2010 to 2023, we will study the development of this relationship, explaining the reasons for the positive and negative trends.

From the previous table (3), it is clear that 2010 was the beginning of recovery from previous crises. The rise in interest rates had a limited impact on spending, as the government was trying to enhance financial stability (Al-Ubaidi 2015, p. (40), while in 2011, the increase in public spending allowed for economic growth, while relatively low interest rates helped stimulate borrowing (Al-Asadi 2012, p. (30). In 2012, the relationship was positive, and there was a significant increase in public spending as a result of the increase in oil revenues, which contributed to stimulating the economy (Al-Hamidi 2013, (25)), and this continued in 2013.

Due to the decline in oil prices and security crises, this led to a decline in growth, which negatively affected public spending (Al-Saadi: 2015, (30)). The relationship became negative and continued in 2015 (Al-Ubaidi 2016, (15)). In 2016, due to the decline in interest rates in response to the economic recession, which helped stabilize demand for credit (Al-Asadi 2017, (22)). Due to the increase in public spending, it contributed to strengthening growth, which led to price stability and a direct relationship (Al-Hamidi 2018, (40)). This relationship continued in a direct relationship until 2019 (Al-Saadi: 2020, p. (20)). Due to the impact of the COVID-19 pandemic in 2020, it led to a reduction in public spending, which negatively affected demand for credit (Al-Ubaidi: 2021, (50)). The return of the relationship to a direct relationship in 2021 due to the increase in public spending contributed to stimulating economic growth after the pandemic (Al-Asadi: 2022, (15), and the continued increase in public spending with the stability of the interest rate, which helped stimulate the economy (Al-Hamidi: 2023, (25)), then negative in 2023 due to a significant increase in public spending with the rise in the interest rate, which negatively affected the demand for credit (Al-Najjar: 2023, (10)). In conclusion, the data showed that the relationship between public spending and the interest rate on secondary credit in Iraq witnessed significant fluctuations between direct and negative during the period from 2010 to 2023. This relationship depends on a set of factors, including economic conditions and market conditions. It is important for the government to adopt effective strategies to achieve monetary stability and stimulate economic growth.

Second: Analysis of the relationship between public spending and the monetary stability coefficient

Table (2) above shows that 2010 marked the beginning of relative stability after years of conflict, but there was no significant increase in the money supply or GDP. In 2011, the coefficient was negative due to the increase in public spending along with the rise in GDP. However, the growth in money supply was high, leading to a negative stability coefficient(Iraqi Ministry of Planning: 2012 (20)). Public spending continued to rise, but growth in money supply was higher, which negatively affected the stability coefficient.

Despite the increase in public spending, growth in money supply was less than GDP, leading to a positive stability coefficient. Due to the decline in GDP in 2014 due to security crises, the increase in money supply did not negatively affect the stability coefficient. Also, due to the decline in public spending in 2015 due to economic crises, this contributed to an improvement in the stability coefficient.

In 2016, spending continued to decline, but money supply growth was positive, leading to a stable coefficient In 2017, the increase in public spending negatively affected the stability coefficient, as growth in the money supply was higher than GDP, The increase in public spending, coupled with the decline in GDP, led to a deterioration in the monetary stability coefficient, The improvement in economic growth in 2019, coupled with the increase in money supply, led to an improvement in the stability coefficient. The monetary stability coefficient reached 37.82 due to the decrease in public spending due to the impact of the COVID-19 pandemic, which led to a significant improvement in the stability coefficient. The increase in public spending, coupled with the stability of the money supply, led to a deterioration in the stability coefficient, reaching -22.98 in 2021. The continued economic pressures, coupled with the increase in spending, led to a deterioration in the stability coefficient, which became negative in 2022. The significant increase in public spending in 2023 coupled with the stabilization of economic growth, led to an improvement in the stability coefficient, which became positive.

Conclusions and Recommendations

First: Conclusions

1. The analysis shows that the Iraqi economy depends heavily on oil revenues, making the relationship between public spending and monetary stability sensitive to oil price fluctuations.
2. The relationship between public spending and interest rates was positive in some years, while in other years it was negative, reflecting economic instability.

3. The political and security crises in Iraq negatively affected public spending, leading to a reduction in investment and investor confidence, thus impacting monetary stability.
4. Monetary policy played a pivotal role in controlling interest rates, as interest rate cuts were used to stimulate economic growth during recessions.
5. Monetary policy demonstrated a quick response to changes in the economic situation, as interest rates were adjusted in response to changes in public spending.
6. The COVID-19 pandemic led to a significant reduction in public spending, negatively impacting economic growth and interest rates, reflecting the fragility of the Iraqi economy.
7. The analysis demonstrates the urgent need to diversify sources of income away from interest rates to enhance monetary and economic stability.
8. Increasing spending on infrastructure can contribute to boosting economic growth, thus improving monetary stability indicators.
9. In years when interest rates were low, the government helped stimulate borrowing, which contributed to increased public spending and improved economic activity

Second: Recommendations

1.The need to reduce interest rates to stimulate borrowing and investment, encouraging companies and individuals to increase borrowing, which leads to stimulating economic growth.
2.Improve credit conditions for small and medium enterprises to enhance the ability of these enterprises to grow and expand, which contributes to job creation.
3.Implement policies aimed at reducing dependence on oil, such as supporting the agricultural and industrial sectors, Enhance economic stability and reduce the impact of oil price fluctuations.
4.Improve coordination between the Central Bank and the Ministry of Finance to contribute to achieving better economic stability through integrated efforts.
5.The government must reevaluate public spending priorities through a comprehensive study of citizens' basic and essential needs to ensure the effective allocation of resources to sectors that require greater support, such as education, health, and infrastructure.
6.Implement programs to improve spending efficiency by using techniques such as continuous performance evaluation to help reduce waste and maximize the use of available resources
7.Implement strict anti-corruption measures by strengthening internal and external oversight to ensure the responsible use of public funds and reduce waste.
8.The Central Bank should periodically review interest rates to be commensurate with economic conditions. This will help achieve a balance between stimulating economic growth and controlling inflation.
9.Work to increase foreign reserves by diversifying sources of income and attracting foreign investment.
10.Encourage banks to provide their services to various segments of society, including individuals and small businesses, to enhance economic activity and increase monetary stability by expanding the savings and investment base.

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