Journal of Positive Psychology & Wellbeing
2022, Vol. 6, No. 1, 3334 – 3343

http://journalppw.com
ISSN 2587-0130

Measuring and analyzing the impact of public expenditures on the current account in Iraq for the period (1990-2020) according to the ARDL methodology

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Abstract

Public expenditures are one of the most important financial policy tools and have a clear impact on economic activity. As for the current account, it is no less important than public expenditures because it reflects the external activity of the national economy. Public expenditures are linked to a wide range of economic variables, including the current account. Through public expenditures, public expenditures can be Achieving balance in the current account if it suffers from an imbalance. When reducing current (operating) expenditures and increasing investment expenditures, it will lead to a reduction in consumption and an increase in investment, thus reducing the volume of imports and increasing exports, and returning to the current account balance.

Keywords : Overhead, Operational expenses, Investment expenditures, current account.

INTRODUCTION

Public expenditures are one of the most important arms of fiscal policy through which it works to achieve general economic balance. However, public expenditures may be one of the reasons that lead to the deterioration of the external balance, represented by the deficit of the external account, and the relationship between public expenditures and the current account has received attention. Many economic researchers, by studying the impact of public expenditures, both consumption and investment, and their impact on the current account, through this research, we will focus on the relationship between them and give appropriate solutions to it, because most countries seek to correct the imbalance in their balance of payments without looking at the reasons This imbalance, and the study acquires its importance in that the impact of public expenditures on the current account is one of the important issues in the economy, both internally and externally.

As for the current account, it is no less important as it shows the strength of the state's external activity and the extent of the state's dependence on the outside in meeting its needs. The research problem lies in the Iraqi economy suffering from several disturbances and imbalances, both internally and externally, during the study period, which extended from (1990 - 2020), which affected the structure of The Iraqi economy as a whole, and among these imbalances (the current account imbalance), so the makers of the financial policy and decision-makers seek to solve these problems or mitigate their severity by adopting an appropriate financial policy, and from here the research problem can be formulated in the following question: What is the impact of public expenditures on the account current? In order to draw up an appropriate agreement policy for the situation of the external sector in Iraq, the research stems from the premise that public expenditures have a negative impact on the current account due to the rentier Iraqi economy.

Chapter one : Theoretical frameworks for public expenditures and the current account

1. Overhead:

Financial thought includes many definitions of overhead, but they all revolve around the pillars and elements that make up overheads.(Ahmed, 2019, p. 118)

The public expenditure was defined as "a sum of money that the government or public persons spend (Aljumma, 2000 AD, pg. 479), during a specific period of time, the purpose of which is to satisfy a general need of society." (Abdul Hamid, 2010, p. 173).

1- Operational expenses:

"They are the expenses that the state pays to the employees and workers of its institutions and retirees in the form of salaries and wages."

2- Investment expenditures:

Those expenditures spent on capital equipment, establishing factories, or developing existing projects, to repair them and increase their efficiency, in order to increase their production capacity. (Al-Ashqar, 2007, p. 186).

Second. current account:

This account consists of three parts: The first includes the results of visible trade, which includes exports and imports of goods, and it is called (the trade balance). The second includes the results of invisible trade called (the balance of services), and it includes the purchase and sale of services, such as banking services. As for the third account, it is the net transfers from one party. (Mubarak and Maryam, 2021 AD, p. 541)

1. Trade Balance (Visible Trade):

This balance includes the movement of the exchange of goods that can be seen, or that it looks through its passage through the customs borders of the country, entering and leaving it, so it is called the visible trade.

2. Services Balance (Invisible Trade):

In this aspect, the proceeds of invisible trade that the state obtains from the use of its services by other countries, such as the use of their companies in transporting passengers and goods, or the use of insurance companies on foreign goods, or the expenditures of international students, tourists, and members of diplomatic missions, as well as what is obtained by them, is recorded in this aspect. Those residing in the country from foreign companies benefit from interests and profits. What the country's citizens spend on foreign services, transportation, insurance, study abroad, or tourism is included in the aspect of payments or indebtedness (Badran, 2014, p. 106)

3. Calculation of unilateral transfers:

It includes the operations that take place between the state and countries abroad, free of charge such as gifts and compensation, for example, if a country issues a certain amount of goods (food or medicine), or a person transfers a sum of money to a person residing in another country, for example Assistance, these cases were done free of charge, meaning that they were from one side only (Al-Borai, 2013, p. 259)..

Third. Impact of Public Expenditures on the Current Account:

According to the Keynesian theory, fiscal policy can achieve stability in the balance of payments, through changes in spending. Significant incomes result in a decrease in the volume of aggregate demand, including the demand for imports, and thus return to the balance of payments balance, and the opposite occurs in the case of a surplus (Ben Azza, 2010, pages 101-102).

Chapter Two: Analysis of public expenditures and current account in Iraq for the period (1990-2020)

Through the data in Table (1), it is clear that public expenditures in 1990 amounted to an amount of (14.179) million dinars. As for the current account, which includes (net trade balance, net services account, and net transfers without compensation and net according to income, it recorded a deficit of at the same time). The year was (2418.1) million dollars, and in 1995, public expenditures amounted to (690.784) million dinars, and the current account amounted to (10547.3 -) million dollars, and this was the result of the economic sanctions imposed on Iraq and the state's attempt to provide services to citizens to alleviate the severity of those penalties On the shoulders of the Iraqi citizen, as for the year 2002, public expenditures amounted to (9232.2) million dinars, while the current account record reached a deficit of (15762.5-) million dollars due to the Gulf War and the subsequent economic sanctions. In 2008, as a result of the global economic crisis, it was Public expenditures increased to reach (67,277.196) million dinars, while the current account recorded a surplus

amounting to (32344.2 million dollars), and this increase continued until 2014.

2014 As a result of the economic and security challenges, most notably the attack of terrorist gangs of ISIS and their destruction of oil installations, which led to a decrease in oil revenues, which was negatively reflected in the increase in public expenditures to record an amount of (113473.6) million dinars, while the current account recorded a surplus (24427.9) million dollars, either In 2020, the volume of public expenditures amounted to (76082.443) billion dinars, while the current account recorded a deficit of (6249.9) million dollars.

Table (1) *The development of public expenditures and the current account in Iraq for the period (1990-2020)*

the year	current expenses	investment expenses	overhead	net trade balance	net service account	net transfers free of charge	net income account	Current account surplus or deficit
1990	11.357	2.822	14.179	3801.1	5900.0-	-318.5	-	-2418.1
1991	15.653	1.844	17,497	1303.8-	2498.2-	395.0	-	-3407.0
1992	25.876	7.007	32.883	2146.0-	5079.5-	149.3	-	-7076.2
1993	50.060	18.894	68.954	1623.9-	6988.1-	160.8	-	-8451.1
1994	171.742	27.700	199,442	961.5-	8378.1-	211.7	-	-9128.0
1995	605.838	84.946	690,784	928.4-	9784.8-	186.0	-	-10547.3
1996	506.102	36.440	542.542	178.2-	10023.5-	155.7	-	-10046.1
1997	534.095	71.707	605.802	2702.5	11302.9-	-1529.3	-	-10129.7
1998	824.705	95.796	920.501	2441.6	12597.7-	-1889.0	-	-12045.0
1999	831.592	201.960	1033,552	3969.7	14403.0-	-4094.1	-	-14527.8
2000	1151.663	347.037	1498.700	7734.7	9919.0-	-5984.1	-	-8159.0
2001	1490.866	578.861	2079.727	1720.1	13633.2-	-3497.1	-	-15410.2
2002	7362.3	1869.9	9232.2	2493.7	15760.9-	2495.1	-	-15762.5
2003	1784.293	198.255	1982,548	-222.4	-1339.4	989.0	-361.7	-934.5
2004	29102.758	3014.733	32117,491	-3492.3	-822.3	1859.2	50.8	-2404.6
2005	21803.157	4572.018	26375.175	3695.2	-5739.3	3235.9	502.3	1694
2006	31575.798	5918.661	37494.459	11821.9	-5163.5	-458.6	895.8	7095.6
2007	32719.836	6588.512	39308.348	22964.5	-4004.3	-380,5	1483.0	20062.7
2008	52301.181	14976.015	67277.196	33554.9	-5257.9	-2931.9	6979.1	32344.2
2009	45941.062	9648.658	55589.720	4145.6	-6384.8	-1998.4	3095.1	-1142.5
2010	54580.860	15553.341	70134.201	14435.6	-7044.1	-2552.5	1591.4	6430.4
2011	60926.0	17832.0	78758.0	39048.0	-8095.2	-4385.0	-201.6	26365.4
2012	75789.0	29351.0	105140.0	44053.6	-10458.8	-5112.0	1059.2	29542
2013	78746.806	40380.749	119127.555	39321.0	-11360.2	-4865.3	-505.2	22590.3
2014	77986.9	35487.4	113473.6	38780.8	-10659.3	-530.8	-3162.8	24427.9
2015	51832.839	18564.676	70397.515	10519.2	-11459.2	543.4	-1516.5	-1913.1
2016	51177.428	15894.009	67067.437	12221.3	-9507.8	1005.5	-1561.2	2157.8
2017	59025.654	16464.461	75490.115	25.373.5	-10223.9	1183.3	-1440.7	14892.5
2018	67025.856	13820.333	80873.189	47484.2	-12429.5	1068.8	-1754.0	34369.5
2019	87300.933	24422.590	111723.523	32167.6	-15547.2	308.2	-1166.0	15762.6
2020	72873.538	3208.905	76082.443	5883.4	-9994.8	-300.5	-1838.0	-6249.9

Prepared by the researcher based on:

- Central Bank of Iraq, Directorate General of Statistics and Research, Economic Report for different years.

Chapter three: The results of estimating and analyzing the impact of public expenditures on the current account in Iraq for the period (1990-2020) using the ARDL model

First: Testing the stability of time series

Before starting to test the ARDL model, we test the stability of the time series through the unit root test, the Auggmented Dickey- Fuller test, and after conducting the test, the results appeared as follows:

Table (2) *Extended Dickey-Fuller test for unit root*

Morale level	Difference level	Gradient shape	Estimate		Variables
			Probabilities	Calculated t	
5%	The level	Without clip	0.0257	-2.02515	CURRNT
1%	The first difference	Section	0.0001	-5.598638	EXPEND

Prepared by the researcher based on the estimation results using the Eviews12 program.

Through the data contained in Table (2), we find that the time series to estimate the impact of public expenditures on the current account in Iraq, which extends from the year (1990 - 2020), and through the use of the expanded Dickey-Fuller test, the stability of the independent and dependent variables represented by (CURRNT)), at the level without a fixed limit and at the level of significance (0.05), while for the EXEPND)), which settled with the first difference in the presence of a fixed limit and at a level of significance (0.01), that is, all dependent and independent variables are free from the unit root and do not contain a false regression, which means rejection The null hypothesis (=0λH0:), which states that there is a unit root problem, and accepting the alternative hypothesis (0≠λ:Hi), which states that there is no unit root problem, i.e. static variables, and therefore the variables will be integrated at the first level and difference.

Second: The results of estimating and analyzing the impact of public expenditures on the current account in Iraq for the period (1990-2020) using the ARDL model:

1. ARDL model estimation

Table (3) shows the impact of public expenditures on the current account, considering (CURRNT) a dependent variable and (EXPEND) an independent variable, and the optimal slowdown periods are (4,3,4) building values (Akaike), which gives the lowest value for this criterion, which It is determined automatically by the program, and the statistical tests of the model show the quality of the model through the value of the coefficient of determination (0.958 = 2R), and the value of ((R2 AdjustedR-squrared) reached (0.916308), meaning that the independent variables that enter into the model explain what its value is (91%) of the changes that occur in the dependent variable. As for the remaining value, it is due to other variables that were not included in the model. In addition, the significance of the model becomes clear through testing the value of (F-statistic), which was significant at the level (1%), and as shown in the following table:

Table (3) *Estimating the ARDL model to measure the impact of overheads on the current account*

Dependent Variable: CURRNT
Method: ARDL
Date: 01/07/22 Time: 14:37
Sample (adjusted): 1994 2020
Included observations: 27 after adjustments
Maximum dependent lags: 4 (Automatic selection)
Model selection method: Akaike info criterion (AIC)
Dynamic regressors (4 lags, automatic): EXPEND
Fixed regressors: C
Number of models evalulated: 100
Selected Model: ARDL(4, 3, 4)

Prob.*	t-Statistic	Std. Error	Coefficient	Variable
0.7403	-0.338568	0.251415	-0.085121	CURRNT(-1)
0.2118	-1.313244	0.213697	-0.280636	CURRNT(-2)
0.0411	-2.266744	0.213292	-0.483479	CURRNT(-3)
0.3099	-1.056651	0.191129	-0.201957	CURRNT(-4)
0.0053	-3.344215	0.198492	-0.663799	EXPEND
0.1298	-1.617462	0.287055	-0.464301	EXPEND(-1)
0.0786	-1.908765	0.182855	-0.349027	EXPEND(-2)
0.0543	-2.114973	0.191577	-0.405180	EXPEND(-3)
0.1647	1.472544	0.097986	0.144288	EXPEND(-4)

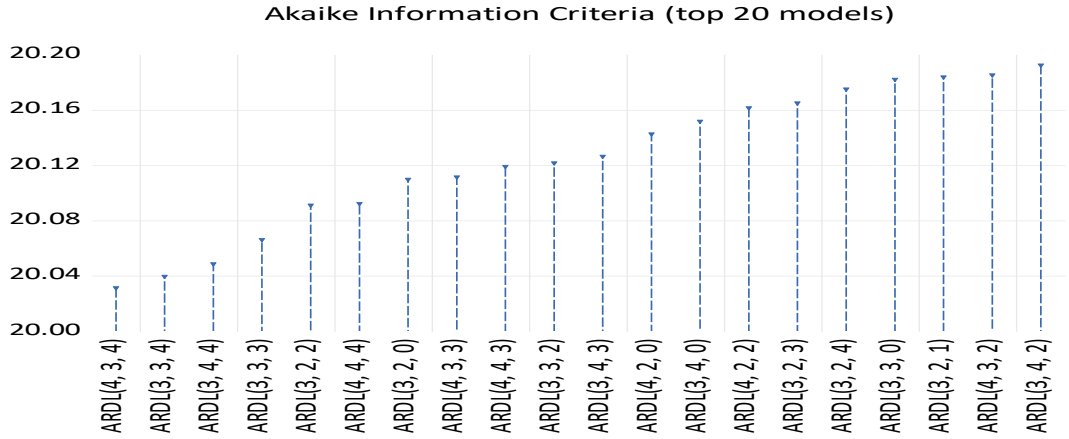
0.0006	-4.499598	4530.309	-20384.57	C

4419.804	Mean dependent var	0.958154	R-squared
16057.93	S.D. dependent var	0.916308	Adjusted R-squared
20.03133	Akaike info criterion	4645.491	S.E. of regression
20.70325	Schwarz criterion	2.81E+08	Sum squared resid
20.23113	Hannan-Quinn criter.	-256.4230	Log likelihood
1.969435	Durbin-Watson stat	22.89713	F-statistic
		0.000001	Prob(F-statistic)

*Note: p-values and any subsequent tests do not account for model selection.

Prepared by the researcher based on the estimation results using the Eviews12 program.

Figure 1. *The ARDL model self-determined time lag using the ACAIK criterion*



Prepared by the researcher based on the estimation results using the Eviews12 program

2. The Bound Test Approach to Cointegration

The Bound Test measures the extent to which there is a long-term equilibrium relationship between the independent variable (public expenditures) and the dependent variable (current account), and depends on the value of F, which is compared with the upper and lower limits, which are distributed within different significant levels. During Table (3), there is a co-integration relationship between the independent variables (expenditures and public revenues) and the dependent variable (the current account), and this is confirmed by the F-statistic value of (5.786618), which is greater than the tabular value at all upper and lower levels and at a significant level (1 %), i.e. rejecting the null hypothesis which indicates that there is no joint integration and accepting the alternative hypothesis which states that there is joint integration (a long-term equilibrium relationship) between the studied variables, as in the following table:

Table (4) *ARDL boundary test for cointegration*

Null Hypothesis: No levels relationship F-Bounds Test

I(1)	I(0)	Signif.	Value	Test Statistic
	Asymptotic: n=1000			
3.35	2.63	10%	5.786618	F-statistic
3.87	3.1	5%	2	k
4.38	3.55	2.5%		
5	4.13	1%		

	Finite Sample: n=35		27 Actual Sample Size
3.623	2.845	10%	
4.335	3.478	5%	
6.028	4.948	1%	

Preparing the researcher based on the results of the estimation using the Eviews12 program

3. . Breusch-Godfrey Serial Correlation Test

In order to know the extent to which the estimated model is free from the serial autocorrelation problem of the residuals, by using the Breusch-Godfrey test, through the results of Table (5) it shows that the estimated model is free from the serial correlation problem and this is confirmed by the values of F and Prob- Chi-Square, That is, the model is not significant at the level of significance (5%), and thus we accept the null hypothesis that states that there is no autocorrelation problem, and we reject the alternative hypothesis that states that there is a problem of autocorrelation, as shown in the following table:

Table (5) *Serial link test according to the ARDL methodology*

Breusch-Godfrey Serial Correlation LM Test:
Null hypothesis: No serial correlation at up to 2 lags

0.8338	Prob. F(2,11)	0.184803	F-statistic
0.6448	Prob. Chi-Square(2)	0.877722	Obs*R-squared

Prepared by the researcher based on the estimation results using the Eviews12 program.

4. Heteroskedasticity Test

For the purpose of detecting the problem of the instability of homogeneity of variance, this model is used, through the test of the two values of F Chi-Squar, where the results of the test indicate the absence of the problem of instability of homogeneity of variance, because the values of F and Prob-Chi-Squar are not significant at the level of significance (5%) and thus we accept the null hypothesis that claims the stability of homogeneity of variance, and as in the following table:

Table (6) *ARDL method test for stability of homogeneity of variance*

Heteroskedasticity Test: Breusch-Pagan-Godfrey
Null hypothesis: Homoskedasticity

0.8816	Prob. F(13,13)	0.509108	F-statistic
0.7647	Prob. Chi-Square(13)	9.108639	Obs*R-squared
0.9995	Prob. Chi-Square(13)	2.276447	Scaled explained SS

Prepared by the researcher based on the estimation results using the Eviews12 program.

5. Estimating the short-run relationship and error correction model (ECM)

Through the results in Table (7), which shows the parameters of the explanatory variables included in the model in the short term and their significance, and it is clear that the relationship is inverse between public expenditures and the current account, as it indicates that any increase in (EXPEND) by one unit leads to a reduction in the surplus in (CURRNT) by (-0.66), and this is consistent with the actual reality of the Iraqi economy, which shows us the significant impact of public expenditures on the current account to reflect to us the size of the leakage that occurs in the Iraqi economy, and this amount reflects to us the size of the structural imbalances that the Iraqi economy suffers from and the extent The backwardness of the commodity sectors and

their inability to satisfy the growing domestic demand, and their dependence on the outside in bridging the gap between domestic demand and domestic production, and the effect is significant at the level (1%) and the probability value was (0.0012), while the error correction parameter CointEq (-1) was Its result is negative and significant as it reached (-2.051193) and it is significant at the level of (1%), and this indicates the existence of a long-term equilibrium relationship between the studied variables in the short term, and the error correction parameter shows that about (205%) of the short-term imbalance in the account Current in the previous period (t-1) can be corrected in the current period (t), towards the long-term equilibrium relationship when any change or shock occurs in the explanatory variables, as shown in the following table:

Table (7) *Estimating the short-run relationship and error correction model (ECM)*

ARDL Error Correction Regression
Dependent Variable: D(CURRNT)
Selected Model: ARDL(4, 3, 4)
Case 2: Restricted Constant and No Trend
Date: 01/07/22 Time: 14:50
Sample: 1990 2020
Included observations: 27

ECM Regression
Case 2: Restricted Constant and No Trend

Prob.	t-Statistic	Std. Error	Coefficient	Variable
0.0033	3.582107	0.269694	0.966072	D(CURRNT(-1))
0.0178	2.712173	0.252726	0.685436	D(CURRNT(-2))
0.2482	1.209097	0.167031	0.201957	D(CURRNT(-3))
0.0012	-4.114042	0.161350	-0.663799	D(EXPEND)
0.0064	3.242291	0.188114	0.609919	D(EXPEND(-1))
0.0855	1.860764	0.140207	0.260892	D(EXPEND(-2))
0.0808	-1.893015	0.076221	-0.144288	D(EXPEND(-3))
0.0001	-5.337412	0.384305	-2.051193	CointEq(-1)*
81.52593	Mean dependent var		0.936431	R-squared
13028.45	S.D. dependent var		0.896700	Adjusted R-squared
19.80911	Akaike info criterion		4187.389	S.E. of regression
20.33704	Schwarz criterion		2.81E+08	Sum squared resid
19.96609	Hannan-Quinn criter.		-256.4230	Log likelihood
			1.969435	Durbin-Watson stat

* p-value incompatible with t-Bounds distribution.

Prepared by the researcher based on the estimation results using the Eviews12 program.

6. . Estimation of the long-run relationship according to the ARDL model

Through the results in Table (8), we note that the effect of public expenditures on the current account is significant and negative, where the Prop amounted to (0.0005), which is very high and at a significant level of (1%), meaning that an increase in (EXPEND) by one unit will lead to a decrease in the surplus in (CURRNT) by (-0.84), and through the previous relationship, the null hypothesis is rejected and the alternative hypothesis is accepted, and that the effect of public expenditures is consistent with the economic logic in the short and long terms, as shown in the following table:

Table (8) *Estimation of the long-run relationship according to the ARDL model*

Case 2: Restricted Constant and No Trend				
Prob.	t-Statistic	Std. Error	Coefficient	Variable

0.0000	6.261607	0.178875	1.120043	REVNU
0.0005	-4.571835	0.185335	-0.847321	EXPEND
0.0000	-14.15173	702.2398	-9937.910	C
EC = CURRNT - (1.1200*REVNU -0.8473*EXPEND - 9937.9103)				

Prepared by the researcher based on the estimation results using the Eviews12 program.

7. Estimated and actual model residuals test

The residual test of the model indicates the difference between the estimated values of the dependent variable that the residuals lie between the lower and upper limits (negative and positive), which is indicated by the results of Table (9) except for two values in 2001 and 2003, and therefore it can be said in general that the model passes the test of the acceptable limits for the residuals of the model. The difference between the estimated and actual value, as shown in the following table:

Table (9) *Estimated and actual model residuals test*

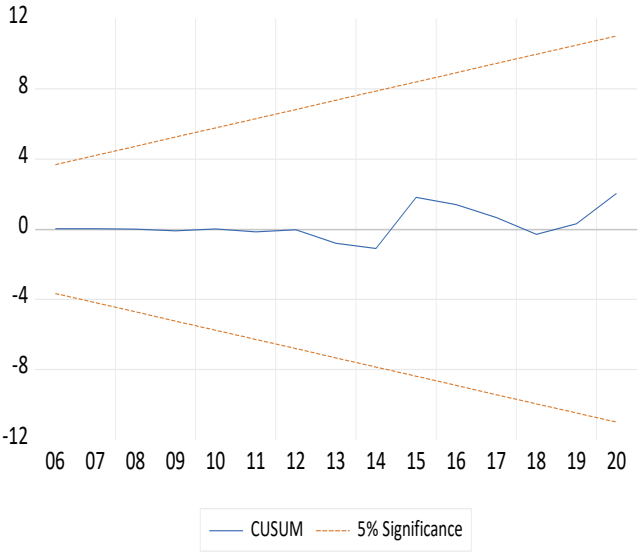
obs	Actual	Fitted	Residual	Residual Plot
1994	-9128.00	-15693.9	6565.88	
1995	-10547.3	-13600.8	3053.48	
1996	-10046.1	-11981.6	1935.52	
1997	-10129.7	-10928.0	798.329	
1998	-12045.0	-10376.1	-1668.94	
1999	-14527.8	-9874.74	-4653.06	
2000	-8159.00	-9078.74	919.743	
2001	-15410.2	-8348.60	-7061.60	
2002	-15762.5	-12193.3	-3569.24	
2003	-934.500	-8600.44	7665.94	
2004	-2404.60	430.540	-2835.14	
2005	1694.00	665.897	1028.10	
2006	7095.60	9879.20	-2783.60	
2007	20062.7	17473.8	2588.85	
2008	32344.2	30751.5	1592.75	
2009	-1142.50	699.056	-1841.56	
2010	6430.40	8518.67	-2088.27	
2011	26365.4	28644.7	-2279.30	
2012	29542.0	29583.5	-41.4518	
2013	22590.3	22911.7	-321.405	
2014	24427.9	20238.8	4189.11	
2015	-1913.10	-680.465	-1232.63	
2016	2157.80	440.286	1717.51	
2017	14892.5	16205.4	-1312.91	
2018	34369.5	34224.0	145.467	
2019	15762.6	13368.3	2394.35	
2020	-6249.90	-3343.98	-2905.92	

Prepared by the researcher based on the estimation results using the Eviews12 program.

8. Model Stability Test (CUSUM)

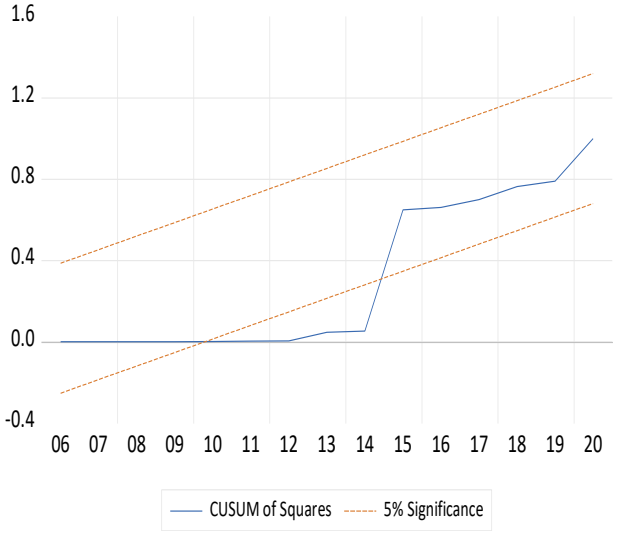
To ensure the stability of the model during the study period and in the short and long term, we rely on two tests, which are the cumulative sum of the residuals of the model and the cumulative sum of squares of the residuals of the model, which was suggested by Brown in 1975. The results of the two tests, according to Figures (2) and (3), showed that the model is stable In general, the graph of the two tests was within the critical limits and at a significant level (0.05%), which means the validity of the model and consistency between the results of error correction in the short and long run, as in the following figures:

Figure (2) *The cumulative sum of squares for the residuals of the model*



Prepared by the researcher based on the estimation results using the Eviews12 program.

Figure (3) *The cumulative sum of the residuals of the model*



Prepared by the researcher based on the estimation results using the Eviews12 program

Conclusions

1. When reviewing the structure of public expenditures in the Iraqi economy throughout the study period (1990-2020), we find that it focuses on one aspect, which is current (operating) spending, and this is due to several reasons, including the rise in war spending, inflation in the size of salaries, administrative corruption, and waste of money The public, and the abuse of power, which led to the loss of a lot of money and not being used in the right direction, for the purpose of achieving the benefit of the citizen.

2. The decrease in the volume of investment expenditures as a result of the successive governments' lack of interest in investment and production projects that support the process of economic development, which led to dependence on the outside to meet the local market's need for goods and services.

3. The interest in current (operating) spending in Iraq has led to an increase in the current account deficit, as the percentage of current expenditures out of total public expenditures is more than 80%, and this spending goes mostly to imports, which leads to the current account deficit.

4. Decrease in public expenditures for investment as a result of successive governments' lack of interest in investment and production projects that perpetuate the process of economic development, which led to dependence on the outside to meet the needs of the local market.

5. By measuring the impact of public expenditures on the current account according to the ARDL methodology, we find that expenditures have a negative impact on the current account, while the error correction parameter CointEq (-1) was negative and significant, meaning that there is a short-term significant relationship between public expenditures and the current account, as shown by the error correction parameter About (205%) of the short-term imbalance in the current account in the previous period (t-1) can be corrected in the current period (t) towards the long-term equilibrium relationship when any change or shock occurs in the explanatory variables, as for the long-term equilibrium relationship We note that expenditures have a significant effect on the current account and in the short term.

Recommendations

1. Rationalizing public expenditures, especially current (operating) expenditures, by conducting a program of restricting recreational and unnecessary expenditures, and addressing the imbalance in them, by supporting and encouraging the local and foreign private sector in order to advance the Iraqi economy and benefit from the capital and modern technology available, especially in the private sector The foreigner in order to provide job opportunities, reduce unemployment rates, reduce dependence on the government sector and thus rationalize public expenditures, to ensure correcting the imbalance in the structure of the Iraqi economy.

2. Raising the percentage of financial allocations for investment spending and directing it to the most efficient sectors (the industrial sector and the agricultural sector), which play a prominent role in increasing production and ensuring financial sustainability, as well as building a strong economy that works to meet the local market’s need for goods and services and not depend on the market exterior.

3. Giving more importance to investment spending at the expense of current spending, because investment spending is the basis for building a strong and sober economy, and the

main means for increasing production and income.

4. Reducing current spending to the minimum possible, by controlling wasteful expenditures and unnecessary entertainment, and working to combat administrative and financial corruption, which is the main cause of wasting money.

5. Working to provide protection for local industries that have a comparative advantage in production in order to reduce dependence on the outside in meeting the needs of the growing domestic demand and thus reduce the current account deficit.

6. Imposing customs duties on consumer goods and exempting investment goods for the purpose of encouraging foreign investment in order to build a production base that works to provide goods and services, provide job opportunities and ensure that foreign currency does not go out and thus improve the current account situation.

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