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The Role Of Government Spending In Iraqi Gross Domestic Product After 2003

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Abstract

The extent and comprehensive vision of government spending in the field of economics for local production in Iraq, especially after going through the period after the Iraqi occupation by America and the deterioration of Iraq's conditions. The importance, status and types of public expenditures are clarified by determining the impact of total public expenditures on GDP growth.

Determine the impact of both current expenditures and investment expenditures on GDP growth.

Keywords: Government spending, Iraqi economy, Gross Domestic Product (GDP), Economic growth, Post-2003 period, Reconstruction efforts, Fiscal policies, Infrastructure investment, Socio-economic development, Public sector investment, Private sector participation, Employment generation, Diversification of economy, Investment in key sectors, Political stability, Institutional reforms, Corruption, Bureaucratic efficiency, Sustainable development and Long-term prosperity.

Introduction

The government sector is seen as a significant factor in the general equilibrium position of income and GDP due to its impact on the overall level of effective aggregate demand via fiscal and monetary policy. Public spending (consumption and investment) is one of the most significant fiscal policy instruments since it reflects the state's function and progress. Public spending is seen as a primary weapon for government intervention in all economic, social, and political areas. It is a cause to boost the gross domestic product and consequently economic growth rates. This expenditure takes many forms and has a wide range of repercussions on the national economy. Within the context of the applied study, we are attempting to focus on the influence of public expenditure on GDP growth using a typical analysis of the Syrian economy over a certain time period.

Chapter One

1.1 A theoretical framework for the relationship between government spending and economic growth

- Public expenditures are sums of money (economic or monetary) released by the state or other public legal body to provide a public benefit. This description clearly identifies three pillars of governmental expenditure: Public expenditure is an amount of money (economic or monetary) that the state uses to carry out its operations that aim to meet public needs, and we focus on cash because public spending has become mostly carried out in cash as the economy has developed and transitioned from an economy of exchange and barter. To the monetary economy, money is widely employed as a method of exchange for goods and services across the national economy. Public spending is described as a sum of money (economic or monetary). Economic money has a broader definition than money, because any money is economic money, although money may be cash or an economic commodity. It may be cash or an economic commodity.
- The public expenditure must be issued by the state or any other public legal authority. As the definition illustrates, alimony can be issued by two parties: the state and the public legal organization. The term "public legal entity" refers to key governmental entities and institutions such as ministries and directorates. Decentralized public bodies include agencies, municipalities, and executive directorates.

Two criteria were also used to differentiate between public and private expenditures. The first requirement is determined by the institution that issues the expenditure, whereas the second is determined by the purpose that public spending serves. A- First standard: Legal and administrative standards: The advocates of this standard rely on the legal character of the body that is responsible for the spending, as this defines the nature of the expenditure and whether it is public or private. B- Second criterion: The functional (objective) criteria: The character of public expenditures is decided by this norm based on the nature of the work for which they are allocated. Accordingly, expenditures are considered public if they are made by the state in its sovereign capacity or by individuals authorized by the state to use its sovereign power.

- Achieving public benefit: If the goal of spending is to meet a public need, and the basis of this spending is the taxes collected from individuals, this spending must benefit all of them, not just a few, in order to achieve equality and justice, such as if the spending is for the state's primary needs, such as external defense. Internal security, the courts, and the formal necessities of people are all things that the general public cannot fulfill on its own. The advancements of contemporary living put it on the state, and its resources allow it to achieve it.

1.2 The significance of governmental expenditures and their growth

The significance of public expenditure stems from the fact that it serves as a mirror, reflecting the status of the economy and its circumstances in a nation, as well as the state of political life in a country and during a given moment. The conclusion is that public spending is extremely important on all levels, including political, economic, social, and cultural.

To attain societal goals and meet public needs, the state uses public expenditure, which is regarded as one of the state's most essential financial instruments. Public expenditure indicates the government's efficacy, as well as its impact and contribution to economic activity and state growth.

- The conventional understanding of governmental expenditures: Adam Smith, an economist, advocated for the state to refrain from interfering in the market and instead focus on traditional tasks such as defense, security, and justice, as well as the provision of some public services and facilities.
- The current understanding of public expenditure: The state's abandonment of its traditional neutrality began with the successive political economic crises that capitalist societies witnessed, as well as the expansion of socialism's principles and their application since the Russian Revolution of 1917, with the goal of achieving economic and social stability that the individual system's market law could not achieve automatically. States tended to meddle in economic life, and with the acceptance of Keynesian philosophy, the capitalist state's operations grew to include different elements of economic activity, transitioning from guardian state to interventionist state.

1.3 Overhead rules

There are several rules, including the following:

- Utility Rule Achieving or satisfying public needs is seen as one of the aims and fundamental pillars of public expenditures, and the state may not differentiate between areas, entities, and persons when distributing and spending. This necessitates that the state examines data and statistics to establish the amount of each region's and individual's need, in order to maximize benefit.
- The rule of economics: This rule states that the state must avoid extravagance and extravagance when estimating expenditure because it will result in the loss of public funds and corruption, eroding trust in the state's finances and giving those charged with the tax an excuse to evade it. The rule of public expenditure is inextricably linked to the rule of benefit, thus attaining the most benefit at the lowest cost is essential.
- Licensing rule: Spending is the disposal of money that comes out of the public treasury and is not owned by a specific individual motivated by his concern for it, except taking into account the economy in spending it and making good use of it in the most effective ways of exploitation, and from this arises the necessity of imposing precise and firm control over public spending. The significance of this rule demonstrates the importance of achieving the two previous rules, namely: the rule of (maximum benefit and the rule of economy and non-wastefulness), and ensuring their continued fulfillment, through codifying everything related to the state's financial activity, which is represented by following legal procedures.

Chapter Two

2.1 The theoretical basis of economic growth

The origin of the word growth is that it is associated with biology, which basically means an increase in the dimensions or standards of living things, such as an increase in height, weight, and size. In other words, growth is a quantitative phenomenon that results in changes that are subject to direct measurement with a quantitative scale. As for economic growth, it represents an increase in the total local results. The real expected in light of the full operation of available resources or the national product of a country. In other words, economic growth occurs when the curve of a country's production potential limit shifts outward. The growth in the real gross national product results in the strength of the national economy, while the increase in the unemployment rate causes the weakness of the national economy. There is a relationship between the growth of the real gross national product and the unemployment rate. It is expected that a high growth rate in the gross national product will be accompanied by a decrease in the unemployment rate and vice versa. True. The relationship between growth in real gross national product and changes in the unemployment rate is defined by Okun's law.

The concept of economic growth refers to (the increase in the levels of a country's national product in a time sequence and is associated with a group of economic variables represented by the development of the economic structure, the expansion of markets, the achievement of justice in the distribution of income, and the infrastructure of the national economy, taking into account population growth, the health of citizens, education, and life expectancy.

- 1- Classical theory.
- 2- Keynesian theory.
- 3- Neoclassical theory.
- 4- Endogenous growth theory (Solow model).
- 3- Rostow's theory.

There are three main determinants of economic growth:

- Efficient distribution of available resources on the basis of competition.
- Financial and human investment.
- Technological advancement, whether through innovation of modern technology.

There are a group of factors that play an important role in determining economic growth, including the following:()

- Quantity and quality of natural resources.
- Capital accumulation.
- Quantity and quality of human resources.

Dr. Specialization and large-scale production in the early stages of economic development.

Third: Obstacles to economic growth

There are many obstacles, including, for example, the following:

- Education.
- Health.
- The size and quality of natural materials.
- Available technology.
- Government regulations and procedures.

Fourth: Economic growth policies, which consist of:

1- Political agreement.

2- Revenue policy: Revenue policy can be divided into two basic branches:

The first section is Tax Policy and the second section is Default Policy.

Fifth: The relationship between fiscal policy and economic growth:

Fiscal policy is part of the economic policy of the economic system, and fiscal policy occupies great importance alongside monetary policy in the state. Fiscal policy is the use of public revenues, public expenditures, and public debt to achieve a balance between the two states of the state's general budget and to achieve high levels of total output and liquidity without economic inflation (). It is said that fiscal policy, which deals with taxes and government spending, is only a means to ensure economic growth in a way that qualifies it to be alongside monetary policy in achieving high employment rates and price stability (), and economic thought deals with the subject of fiscal policy from multiple concepts in terms of its effects, including distribution and redistribution. Consumption, saving, investment, poverty, inflation, unemployment, and economic growth. The issue of financial policy is linked to the issue of economic growth, in light of the lack of convergence between growth rates among the world's economies, which is one of the most controversial topics among economists in their theoretical and applied studies, especially in issues of long-term growth. The interest in this topic is due to two characteristics left by theoretical rates.

Explaining the endogenous growth theory of many important characteristics of the relationship between fiscal policy and growth. Then growth is endogenous. Fiscal policy affects the saving rate and can be considered a typical example of such a policy. This means that fiscal policy indicates the steady state growth rate through balanced growth and not only. By moving from one stable state to another - most of the stable studies and research in this study that links financial policy and growth reveal the adverse environmental relationship between financial policy variables and growth indicators. Therefore, the research and studies that dealt with this topic and what was mentioned in our financial study indicate the existence of two directions of influence: the first is the influence of fiscal policy towards growth, and the second, on the contrary, is that the literature that studied growth has stopped since the beginning of the seventies of the last century, not due to its inability to explain the constantly increasing growth rate in advanced economies. As for the theory of internal growth, it gives a kind of flexibility based on the assumptions of diminishing returns to capital. With fixed or increasing returns, there is borrowing to match individual incomes between countries in the long term.

Regarding the study of the relationship between the size of public spending and economic growth, many studies are interested in understanding the nature of the factors that indicate public spending proposals, because this is important in understanding how to unify or restructure public spending policies in a way that serves to stimulate economic growth. The process of determining the size of public spending and its components is a specific process. A number of economic, political, and institutional factors intervene in it, and the size of government revenues and their ability to do so is also one of the economic, political, cultural, and institutional factors. The size of government revenues and its ability to do so is also one of the critical factors in this field, the environmental importance of which may change over time.

As for Ricardo's ideas about the growth process, he believes that agriculture is the most important economic sector, as it provides food to a population whose numbers are increasing, but it is subject to the law of diminishing returns. This assumption by Ricardo came as a result of his not giving much importance to the role of technological progress. Ricardo attaches importance to non-economic factors in the process of economic growth, such as intellectual and cultural factors, administrative bodies, etc., as well as the importance of political stability resulting from the presence of a strong government. Ricardo encouraged freedom of trade, because it finances economic growth in society.

As for Malthus, he explained the importance of interconnection between economic sectors, and considered balanced growth necessary to achieve economic growth. As for Schumpeter's views on economic growth, he refused to describe development as a gradual process with harmony and harmony, and considered it to be automatic and non-continuous change, and that development occurs in the form of a period of prosperity, followed by sharp declines in times of depression.

2.2 Conclusion

Following 2003, government expenditure had a major and diverse impact on Iraq's GDP. After years of violence and instability, Iraq entered a transformational period highlighted by enormous rebuilding efforts, political restructuring, and economic rebirth. Government expenditure was critical to supporting economic growth, notably via investments in infrastructure, healthcare, education, and security.

The Iraqi government wanted to boost economic activity, generate job opportunities, and raise residents' overall living standards through deliberate resource allocation. The expansionary fiscal policies implemented after 2003 attempted to solve significant socioeconomic concerns and promote long-term growth.

Furthermore, government expenditure acted as a stimulant for private sector investment and entrepreneurship, accelerating economic growth. By investing in critical industries and selecting initiatives with strong developmental effect, the government hoped to diversify the economy, minimize reliance on oil income, and encourage long-term success.

However, it is vital to recognize that the efficacy of government spending in generating GDP development is determined by a number of factors, including fiscal discipline, transparency, and governance efficiency. Corruption, bureaucratic inefficiency, and political instability have all hampered the effective use of public monies and the achievement of intended developmental results.

Moving forward, maintaining and increasing the beneficial impact of government expenditure on Iraqi GDP would need a continuous commitment to good fiscal policies, institutional reforms, and anti-corruption efforts. Furthermore, creating a favorable climate for private sector engagement and foreign investment will be critical to realizing Iraq's full economic potential and attaining inclusive prosperity.

In conclusion, while government expenditure has played a critical role in defining Iraqi GDP dynamics since 2003, long-term economic growth depends on the collaborative efforts of both public and private parties to handle existing difficulties and capitalize on new possibilities.

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