THE ROLE OF PUBLIC REVENUES AND THEIR IMPACT ON SOME MACROECONOMIC VARIABLES IN IRAQ A MODEL

Mustafa Mahdi Abdulridha[1]
Ph.D scholar , School of economics
mmus620@gmail.com
Supervisor
Dr.S.PUSHPARAJ[2]
School of Economics ,Associate Professor
Email: s_pushparaj@hotmail.com
Madurai Kamaraj University

Abstract

Public revenues are an important part of supporting the economy through the state's financial resources. The impact of the fiscal policy shocks on some of the macroeconomic variables in Iraq has been estimated through. The building of a standard model was reached through which there is a significant impact of the imbalances that have been exposed to the public revenues of the state on the economic variables during the study period. Here highlights the importance of research which included two topics; the first discussed the theoretical framework of the Revenues Policy, while the second topic measured and analyzed the impact of these revenues in some macroeconomic variables

Keywords: Shock of Public Revenues, Macroeconomic, Revenue policy, Public Revenues in Iraq

Introduction

The public revenues of the state as one of the two parties to the general budget of the state, which constitutes public expenditure of the other party of the pillars of the national economy, which have been dealt with extensively in economic studies and research, both at the level of developing or developed economies (Shabibi: 2007: 7).

Hence the importance of analysis and estimation the impact of the Shocks, Which are exposed to public revenues in Iraq on some macroeconomic variables, where the financial policy during the period of study 1990-2016 to shock in public revenues of oil source, This matter, Forced of financial authorities in the country. To rely on the New Cash Release in financing the budget deficit (inflationary financing), to cover the increasing expenditure of the state, which was reflected in the rise in the general level of prices and the arrival of inflation to record levels (Saleh 2012: 5). The post-2003 period was no better than the previous one because the economic policies implemented had suffered a lot of delay and were not based on accurate diagnosis of the economic situation in Iraq and the possibilities of achieving growth and addressing structural imbalances, so it failed to address the deteriorating situation of Iraq's economy despite the large financial expenditure.

Research Importance

The importance of research is to try to identify the impact of financial stocks that are often exposed to the Iraqi economy, and its impact on macroeconomic variables, which would create a shock to the general economic activity.

Research problem

The problem of research is how to measure the impact of the shocks, which has been exposed to the Revenues Policy of Iraq during the period of research and its impact on certain economic variables with the awareness of the need to deal with local data to achieve the objective of research and credibility in the results.

Research objectives

The aim of the research is to measure and analyze the impact of financial policy shocks of public revenue shock in some macroeconomic variables such as GDP, total consumption, inflation rate and money supply using the joint integration approach.

Research Hypothesis

The study starts from the Hypothesis that:
The shocks to fiscal policy resulting from imbalances and shocks in the world oil markets have affected macroeconomic variables such as GDP, consumption, inflation and cash supply.

Research Methodology

The research was based on verifying the hypothesis on the descriptive approach, data analysis and using the method of standard analysis.

Public revenues in Iraq for the period 1990-2016

As a result of the large reliance on oil revenues in covering the public expenditure of the state has diminished the importance of developing alternative sources of revenue such as tax revenues and others, we will discuss in some detail the reality of the revenue policy of the Iraqi economy.

Revenue Policy for the period 1990-2002

The proceeds of oil revenues as the main source of funding for the general budget decreased in 1991 to 12,868 million dinars after they were 26,781 million dinars in 1990. As shown in Table (1). The contribution of oil revenues to public revenues continued to decline until 1996. The impact of the resumption of oil exports under the memorandum of understanding reached 55,421 million dinars. The ratio of oil revenues to public revenues reached 32.4% Oil revenues continued to rise to reach 84,636 million dinars in 1997, but they declined again in 1998 to reach (75.658) million dinars. Due to the decline in oil prices in the international oil markets due to the repercussions of the financial crisis that hit the countries of Southeast Asia. Then oil revenues resumed their rise, affected by the recovery of oil prices globally.

Table (1): Development of Public revenues for the period 1990-2002 (million dinars)

year	Public revenues	Public revenues at constant prices 2007 = 100	Oil Revenue	Ratio of oil revenues to public revenues%
1990	84911	7233154.4	26781	31.54
1991	42280	422800	12868	30.43
1992	5047	240333.3	12703	251.69
1993	8997	30395.27	18388	204.37
1994	25659	2435.83	28504.1	111.08
1995	106986	581	21356	19.96
1996	178013	1636	55421	31.13
1997	410537	2448.01	84636	20.61
1998	520430	2452.31	75658	14.53
1999	719065	2480.53	142294	19.78
2000	1133034	3787.51	185907	16.4
2001	1289246	3713.05	374890	29.07
2002	1854585	4684.73	1576396	84.99

Source: Table and percentages by researcher based on Central Bank data, Special Bulletin 1990-2003

The annual economic report of the Central Bank of Iraq for the years 2010-2014.
http://www.cbi.iq/index.php?pid=Statistics
The spending side of the public budget continued to grow with limited revenue sources. This broad expenditure could not have been covered by an increase in tax revenues (Saleh: 2001: 7), which contributed to deepening the budget deficit. The general expenditure to cover public expenditure has increased as shown in Table 2 from (17497) million dinars in 1991 to (690784) million dinars in 1995, while the general revenues increased from (42280) million dinars in 1991 to (106,985,7) million dinars in 1995 despite the increase in public revenues However, it remained unable to cover increasing public expenditure. The annual budget deficit increased from (13269) million dinars in 1991 to (583798) million dinars in 1995 (Khamis, 2013: 62).

Table (2): The General Budget in Iraq for the Period (1990-2002) (Million Dinars)

year	general expenditure	Public Revenue	Disability	The new cash release million dinars	To Public revenues%
1990	141791	84911	(56880)	---	---
1991	17497	42280	(13269)	22957	54.29
1992	32883	50469	(27836)	39848	78.95
1993	68954	89971	(59957)	68892	76.57
1994	199442	25658.7	(173783)	209753	817.47
1995	690784	106985.7	(583798)	619906	579.42
1996	542542	178013	(364529)	910171	511.29
1997	605802	410537	(195265)	976043	237.74
1998	920501	520430	(400071)	1225068	235.39
1999	1033552	719065	(314487)	1346955	187.32
2000	1498700	1133034	(365666)	1521884	134.31
2001	2079727	1289946	(790481)	1891210	146.61
2002	2518285	1854585	(547160)	2700346	145.60

Source: Table and percentages of the researchers' preparation, based on the Central Bank of Iraq bulletin data

- Numbers in parentheses indicate negative values.

Table 2 shows the relative importance of the new cash release as an important source of public revenue, reflecting the fact that the monetary policy at that stage of the expansionary fiscal policy has become dependent on deficit financing. The ratio of the new cash release increased to public revenues, from 54.29% in 1991 to reach 817.4% in 1994. This percentage decreased during the years 1996-1999 due to the rationalization of public expenditure in a manner that led to reducing the budget deficit and consequently decrease in the volume of cash release as well as the resumption of oil export. In limited quantities according to the memorandum of understanding reached. The ratio of the new cash release to the general revenue (187.3%) in 1999 due to the flow of oil revenues to the economy. Then returned to the decline in 2001 and amounted to (146.6%), but it remained high, indicating a clear lack of public revenues due to insufficient oil revenues to limited oil exports in accordance with the memorandum of understanding in addition to the weak role of funding taxes. Witnessed a relative decrease in the proportion of new cash release in public revenues.

Trends of revenues policy for the period 2003-2016

After 2003, the revenues policy continued to operate away from the methodology of diversified sources of financial returns, through the continued reliance on oil revenues mainly to finance the budget, which was reflected by the dominance of oil revenues of an oil-type of public revenues and public revenues increased significantly as shown in table (3). Due to the increase in oil revenues at high rates annually and the modest contribution of tax revenues. In the absence of a strategy to employ part of these oil revenues in the development of productive sectors in the national economy, it has pursued an expansionary (non-quality). Spending policy characterized by the preference of operating expenses on investment in the numbers and design and implementation of its annual budgets based on the Keynesian approach based on increasing consumer spending governmental sector leads to increased demand for domestically produced goods and the prosperity of domestic productive sectors without the development of the private sector (Oliver 2008: 12). Such a theoretical approach may be consistent with the economies of countries that have achieved certain economic growth and possess flexible production bases in addition to clearly defined economic systems. This does not apply to the current situation of the Iraqi economy, which has led to a large volume of aggregate demand, Expansion of the volume of imports (Obaid, 2013: 82).

Table (3): The Evolution of Public Revenues in Iraq for the Period 2003-2014 (Million Dinars)

Year	General revenues Current prices	General revenues Fixed prices 2007 = 100	Annual growth rate%	Oil revenues	Growth rate of oil revenues (%)	Ratio of oil revenues to public revenues%
2003	2146346	28769.99	---	1841458	---	85.7
2004	32982739	62373.51	1436,7	32627203	1671,8	98.9
2005	40502890	55049.96	22.8	39480069	21,0	97.4
2006	49055545	43569.83	21,1	46534310	17,9	94.9
2007	54599451	41078.69	11,3	51701300	11,1	94.7
2008	80252182	59192.58	46,9	75358291	45,8	93.9
2009	55209353	35060.44	31,2-	48871708	35,1-	88.5
2010	70178223	41645.00	27,1	66640860	36.4	85.7
2011	108807392	68868.85	55,0	98155980	47,3	97
2012	119466403	69361.30	9,8	106764790	8,8	89,36
2013	113767395	68265.41	5,0-	110890539	3,72	97,46
2014	105386623	63248.20	7.95-	97072410	14.23-	92.11
2015	100875438	61976.50	2 .72-	93854390	11.65-	90.65
2016	104326576	62757.90	1.89	94512985	3.25	91.54

Source: Table ratios prepared by the researcher based on the Iraqi Central Bank data, annual bulletins 2003-2014.

Table 3 shows the upward trend in public revenues after 2003, which clearly reflects the significant increase in oil revenues, including the lifting of economic sanctions, the end of military operations during the first quarter of the same year, the increase in oil exports, and the improvement in oil prices worldwide. The increase in the revenues of the general revenues to reach (32982739) million dinars and growth rate (1436.7%). The oil revenues increased in 2004 to reach (32627203) million dinars with a growth rate of (1671.8%). Due to high oil prices to 36 dollars in oil markets global. Oil revenues after 2004 have continued to grow due to continuous increases in oil prices until 2008. In 2009, oil revenues decreased to (48871708) million dinars, and a negative growth rate (-35.1%). The impact of low oil prices and financial turmoil Global markets caused by the subprime mortgage crisis in the United States. The world oil markets witnessed a remarkable improvement as oil prices rose in 2010, and this increase left a clear impact on oil revenues which grew by 36.4%. Oil revenues continued their upward trend to reach 98155980 million dinars in 2011 and 106764790 million Dinars in 2012. In 2013, oil revenues increased by another 110890539 million dinars, which amounted to public revenues (97.46%) because of the increase in oil prices. In 2014, which saw a drop in oil revenues and a negative growth rate of (-14.23) due to the decline in crude oil prices globally.

Public revenue model

The study has shown previously that the model of public revenue is the model that will reflect the shock of public revenues and it is composed of variables, public revenues (RG), oil prices (OILP), Gross domestic product (GDP), and expenditure general (EXG).

Joint integration of the Public revenue model according to the formula (Johansen-Juselius)

After obtaining the silence of the time series of the model and ensuring that most of its variables remained dormant in the first difference, we were able to carry out the joint integration test to test the existence of a long-term equilibrium relationship between the model variables, as shown in Table (4).

It is noted from Table (4) that the statistical impact (trace statistic) the Reaches (35.66) is smaller than the critical value of (47.85) and the probability value (prob = o.4134) is greater than 5%, which means accepting the null hypothesis (r = 0) and rejecting the alternative hypothesis (r = 1). There is no integral equation or there is no single error limit at 5%. The statistical value of (17.08) is smaller than the critical value of 27.58 and the probability value (prob = o.5724)

is greater than 5%. This means that there is no long-term balance of variables during the study period.

Table (4): Joint integration test (Johansen- Juselius) for the public revenue model for the period 1990-2014

Critical value	Statistic value	prob	Alternative Hypothesis	Null hypothesis	Decision
Choose trace					
47.85613 29.79707 15.49471 3.841466	35.66468 18.57684 6.778645 2.524946	0.4134 0.5237 0.60635 0.1121	R=0 R>1	R=1 R=0	Trace test indicates no cointegration at the 0.05 level. * denotes rejection of the hypothesis at the 0.05 level
Choose maximum					
27.58434 21.13162 14.26460 3.841466	17.08783 11.79820 4.253699 2.524946	0.5724 0.5677 0.8317 0.1121	R=0 R>1	R=1 R=0	Max-eigenvalue test indicates no cointegration at the 0.05 leve. * denotes rejection of the hypothesis at the 0.05 level

Source: Table prepared by the researchers based on the statistical program (Eviews9)

According to the results achieved, which indicate that there is no common integration between the variables of the model, as well as the absence of a long-term balance between the variables, will be used to estimate the ARDL model.

Results of the ARDL optimal delay detection tests

We determine the optimal number of slowdowns of the general revenue model, based on the same criteria adopted in the public expenditure model. In Table (5) we conclude that the number of delay times is one period depending on the above criteria and the lowest value at the first delay. Optimal slowing

.

Table (5): Number of delay times for the public revenue model for the period 1990-2014

Lag	AIC	SC	HQ
0	95.31042	95.50937	95.35359
1	90.94627*	91.94105*	91.16216*
2	91.43857	93.22918	91.82718
3	91.06016	93.64659	91.62148

* Indicates the number of optimal delay periods and all tests are significant at the level of (5%)

AIC: Standard Akaike, SC: Standard, Schwarz, HQ: Standard Hannan-Quinn

Source: Prepared by the researchers based on the outputs of the statistical program (E views 9)

Results of the estimation of the self-regression model of distributed distributions (ARDL) for the public revenue model

For the purpose of testing the hypothesis of research and drawing on the literature in this subject was used model Autoregressive

Distributed Lag Model, in order to extract the error correction coefficient of the general revenue model. After estimating the model using EVIEWS 9, the results were as follows:

Table (6): Estimates of the ARDL model for the public revenue model for the period 1990-2014

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
RG(-1)	-0.350164	0.211137	-1.658474	0.0167
EXG	0.304094	0.113545	2.678180	0.0165
EXG(-1)	0.530243	0.166539	3.183891	0.0058
GDP	0.363388	0.124549	2.917627	0.0101
GDP(-1)	-0.419492	0.119822	-3.500959	0.0030
OP	325888.8	152755.1	2.133407	0.0487
OP(-1)	594756.3	231766.5	2.566188	0.0207
C	-17891912	3462407.	-5.167478	0.0001
R-squared	0.995916	Mean dependent var		34953836
Adjusted R-squared	0.994129	S.D. dependent var		43429077
S.E. of regression	3327744.	Akaike info criterion		33.13469
Sum squared resid	1.77E+14	Schwarz criterion		33.52737
Log likelihood	-389.6163	Hannan-Quinn criter.		33.23887
F-statistic	557.3315	Durbin-Watson stat		2.051991
Prob(F-statistic)	0.000000			

Source: The table prepared by the researchers based on the outputs of the statistical program EVIEWS 9

Table (6) indicates that there is one regression period for each RG GDP, OP EXG, as determined by the EVIEWS 9 model. This is one of the advantages of this program.

The next step in analyzing the ARDL model is to test the extent of a long-term equilibrium relationship between the model variables as explanatory variables. The F statistic is computed according to the null hypothesis that the parameters of the slow levels of the lag variables are all zero, thus the absence of a long-term equilibrium relationship between the variables , Which:

H_0: $B_1 = B_2 = B_3 = 0$

Against the alternative hypothesis that provides for a common integration between the variables of the study, i.e.:

H1: $B1 \neq B2 \neq B3 \neq 0$

The comparison between the (F) calculated with the maximum and minimum values of the critical values. If the calculated F value is greater than the upper limit of the critical values, the null hypothesis that there is no long-term equilibrium relationship is denied. If the calculated value is less than the minimum critical values the null hypothesis is accepted, as shown in Table (7) of the ARDL boundary test results.

Table (7): Boundary test results

K	Value	Test Statistic
3	10.37578	F. Statistic
Critical Value Bonds		
maximum	minimum	Significance
3.77	2.72	10%
4.35	3.23	5%
4.89	3.69	2.5%
5.61	4.29	1%

R-squared (0.954192), Adjusted R-squared (0.934151)

Source: The table prepared by the researchers based on the program Eviews 9.

Note from the table (7) The value (F-statistics) calculated amounted to (10.37578), which is greater than the maximum value tabulated at the significant level (5%), amounting to 4.35, while the value Tabulated micro-reaching (3:23) at the same level. This refers to the rejection of the hypothesis. Which states that there is no long-term equilibrium relationship between the variables and accept the alternative hypothesis that provides for a common integration and a

long-term equilibrium relationship between the variables of the model. The explanatory power of the model was (95%) according to the value of the R-squared and the weighted selection factor ($\overline{R^2}$) was (93%) indicating that the model enjoyed high explanatory power, which enhances the possibility of adopting the model results in the analysis. After confirming a long-term equilibrium relationship, the long and short-term estimations of the estimated model parameters and the error correction parameter should now be obtained. The following tables (8-9) show the long and short parameter estimates and error correction of the ARDL model.

Table (8): Long term estimations of the ARDL model

Long Run Coefficients				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
EXG	0.617952	0.092827	6.657036	0.0000
GDP	-0.041553	0.038841	-1.069828	0.3006
OP	681876.	83017.8	8.213610	0.0000
C	-13251655	1601043.	-8.276887	0.0000

Source: The table prepared by the researchers based on the program EVIEWS 9

As is clear from the table, there is a long-term positive and moral response between public spending and public revenues, And in response to a positive long-term and significant between oil prices and general revenues. The results also showed that there is no long-term response to the GDP variable because the parameter is statistically insignificant.

Table (9): Short-term estimations and ERDL error correction coefficient

Short Run Cointegrating Form				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(EXG)	0.304094	0.113545	2.678180	0.0165
D(GDP)	0.363388	0.124549	2.917627	0.0101
D(OP)	325888.793	152755.086	2.133407	0.0487
CointEq(-1)	-1.350164	0.211137	-6.394746	0.0000

Source: The table prepared by the researchers based on the program EVIEWS 9.

For the error correction model, we note from the results of the above tables (9-8) that the short term parameters correspond to a large extent in terms of the level of morale with long-term results and that the parameters are estimated at varying rates except for the GDP variable which indicates a short-term and significant response to public revenues. The error correction coefficient expresses the speed of the adjustment from the short to the long term, which must be significant and negative until it confirms the existence of a long-term relationship between the variables of the model. The above results show the value of error correction parameter of (-1.35) negative and is statistically significant At a level of less than (5%), which means that the imbalance in the long-term balance corrected during (135%) of the time is a great speed, as well as the short-term parameters show that the explanatory variables were significant. Finally, for the purpose of testing the structural stability (stability) of the long and short-term relationships of the total studied period of the ARDL model, two tests (Brown et at 1975) were used: the cumulative sum of the recursive residuals (CUSUM) and the cumulative sum of recursive residuals squared (CUSUMSQ). According to these two tests, if the CUSUM and CUSUMSQ charts are within the critical limits at 5%, the null hypothesis that all parameters are stable is acceptable. Therefore, Figures 1 and 2 clearly reveal that the CUSUM and CUSUMSQ graphs are within the critical limits (upper and lower), so these statistical tests prove the stability of the long and short parameters of the ARDL used in this paper.
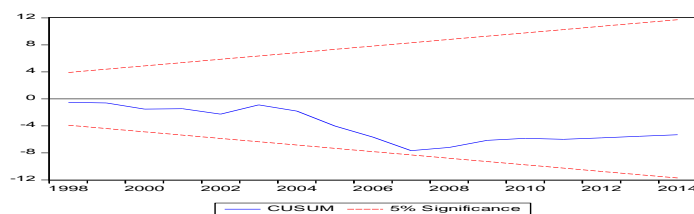
Figure (1): Plot of Cumulative Sum of Recursive Residuals

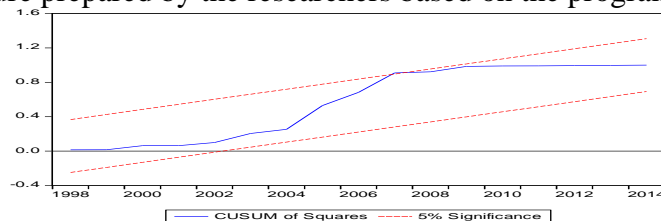Source: The Figure prepared by the researchers based on the program EVIEWS 9.

Figure (2): Plot of Cumulative Sum of Squares of Recursive Residuals

Source: The Figure prepared by the researchers based on the program EVIEWS 9.

Standard tests related to time series analysis of public revenue model

3. 3. 4. 1. Test (Histogram-normality) of the normal distribution test of the residuals, and after the test the results were as shown in Figure (3). The results in Figure (3) indicate that the Jarque-Bera test. Which tests the null hypothesis that the residues are distributed naturally against the alternative hypothesis that the residues are not distributed naturally, so the value of the Jarque-Bera test (1.37) Accept the null hypothesis because the probability value of p-value of (0.5026) is greater than (0.5%) i.e. that the residues are distributed natural distribution, which is desirable in such models.
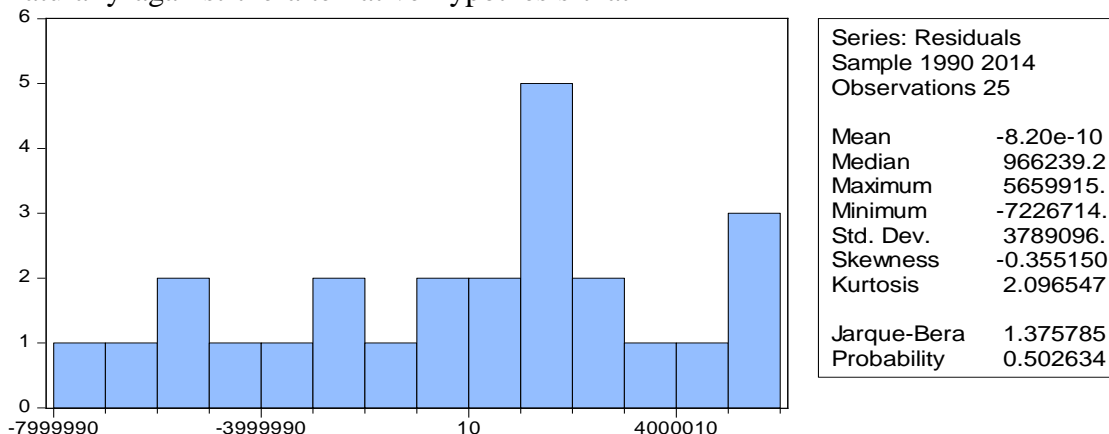

Figure (3): Histogram-normality test for the public revenue model

Source: The Figure prepared by the researchers based on the program EVIEWS 9.

Serial Correlation LM test. This test is used to ensure that the model of the self-correlation problem is free. Using the Breusch-Godfrey test to detect the self-correlation problem, the test results were as follows:

Table (10): Serial Correlation LM test for the public revenue model

F-statistic	0.324016	Prob. F(1,17)	0.5766
Obs*R-squared	0.448879	Prob. Chi-Square(1)	0.5029
R-squared	0.018703	Mean dependent var	-1.04E-08
Adjusted R-squared	-0.327637	S.D. dependent var	4154846.
S.E. of regression	4787343.	Akaike info criterion	33.83934
Sum squared resid	3.90E+14	Schwarz criterion	34.18294
Log likelihood	-399.0721	Hannan-Quinn criter.	33.93050
F-statistic	0.054003	Durbin-Watson stat	2.040380
Prob(F-statistic)	0.999168		

Source: The table prepared by the researchers based on the outputs of the statistical program EVIEWS 9.

The results in the first field and shaded as above indicate that there is no model of the problem of self-correlation ie accepting the null hypothesis and rejecting the alternative hypothesis, as the P-value values of 0.5766.

Heteroskedasticity Test This test is used to detect the problem of heterogeneity of variance and by using the Engle's ARCH test we have the following results:

Table (11): Heteroskedasticity Test: ARCH

F-statistic	0.253766	Prob. F(1,21)	0.6197
Obs*R-squared	0.274615	Prob. Chi-Square(1)	0.6003
R-squared	0.011940	Mean dependent var	1.71E+13
Adjusted R-squared	-0.035111	S.D. dependent var	4.13E+13
S.E. of regression	4.21E+13	Akaike info criterion	65.66078
Sum squared resid	3.71E+28	Schwarz criterion	65.75952
Log likelihood	-753.0990	Hannan-Quinn criter.	65.68562
F-statistic	0.253766	Durbin-Watson stat	2.024293
Prob(F-statistic)	0.619680		

Source: The table prepared by the researchers based on the outputs of the statistical program EVIEWS 9.

The above results indicate that the model is free of the heterogeneity problem based on the P-vaue value of 0.6197. Thus, the model has passed all tests and proved to be free of economic measurement problems, which confirms the efficiency of the model, and the possibility of adopting model estimates in the analysis and prediction.

Analysis of the incentive response function of the public revenue model

According to the estimates of the 25-year response function shown in Figure 4, a single positive structural shock in public revenues by one standard deviation would have a positive effect on public revenues and other independent variables, which is logical in a country such as Iraq, And a semi-sole source of funding for the general budget. We note that the same general revenue response to the shock has no effect in the first period, whereas a slight response appears in the second period. The response is stable until the fourth period, So that their behavior will then be characterized by a slight fluctuation between high and low to the end of the period. The occurrence of a shock by one standard deviation in public expenditure does not appear to be a response by public revenues when the shock occurs and a simple positive response from the second period begins due to two reasons: first, the adoption of oil revenues on world oil prices and global demand for crude oil. The second is the weakness of the policy of spending in the development of additional sources of fuel (non-oil) that can contribute to the financing of the public budget, and the weakness of the productive sectors in meeting domestic demand and dependence on external imports to meet domestic demand. As well as the structure of public spending. Current hypocrisy at the expense of investment spending. The occurrence of one standard deviation shock in the price of oil will have a positive effect on the size of the general revenue along the response period, due to the heavy dependence on oil revenues in the Iraqi economy. Which are linked mainly to global oil prices and volatility, and therefore the fluctuation in oil prices must be left. The clear impact on public revenues. The occurrence of one standard deviation shock in the public revenue will have a significant effect on public expenditure, where a positive and increasing response has emerged since the first period to continue until the end of the period. This reflects the fact that the public expenditure depends very heavily on oil revenues, which

constitute the bulk of public revenues, the fiscal policy and the budget specifically for the shocks of public revenues derived from high oil prices. The occurrence of one standard deviation shock in the public revenues will have a significant effect on the gross domestic product since the first period. GDP will show a positive response to the public revenues shock that will last until the end of the period. This reflects the dominance of the oil sector on GDP. The general budget of revenues is therefore associated with growth rates of output growth

of oil revenues. In return for a major collapse in the productive sectors and the deterioration of the agricultural sector and industry and the cessation of most projects and obsolete, in addition to the adoption of dumping policy followed by neighboring countries and absence almost entirely for the private sector. AS the shock in the general revenue will not leave the impact on oil prices because prices are considered an external variable and the public revenue is an internal variable.

Figure (4): The response of all variables to the occurrence of a shock with one standard deviation in the same public revenue and other variables
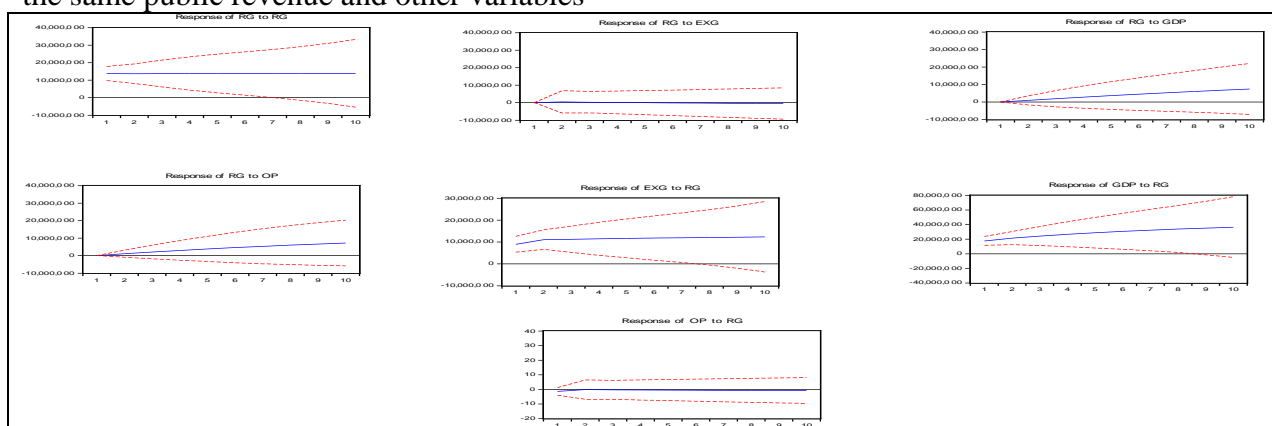

Figure (4): The response of all variables to the occurrence of a shock with one standard deviation in the same public revenue and other variables

Source: The Figure prepared by the researchers based on the program EVIEWS 9.

Conclusions

a. The adoption of the revenue policy in Iraq on oil revenues as the sole source of financing economic activity weakened the role and importance of other sources of finance, especially taxes, making the financial system vulnerable to fluctuations in external variables, especially oil prices.

b. The test results were confirmed by Dickey–Fuller, Phillips–Perron (P-P) that most of the variables are not static in the general level, so the first difference of these variables was taken and found to be static and free from the root of the unit at the first difference.

c. Joint integration tests in accordance with the Johansson-Jeslius methodology, based on impact testing the (**trace** λ). Max-value test (λ**max**), indicate that there is more than one vector of integration in the public expenditure model, which means a long-term equilibrium relationship between model variables.

d. The results of the error correction model (ARDL) proved that there is a long-term equilibrium relationship between the variables of the public revenue model.

e. The stimulus functions of the public revenue model suggest that a single standard deviation in the public revenue leads to increased public spending.

Recommendations

a. Diversify the base of the Iraqi economy and create an economy characterized by a public increase in the contribution of other economic sectors in the composition of GDP.

b. Diversification of the structure of public revenues in preparation for the exit of the Iraqi economy from the rent, and the protection of the economy and the public budget of large fluctuations or sudden in oil revenues.

c. To establish a mechanism to address the real deficit and the apparent surplus in the Iraqi public budget, using oil revenues and employing them in the implementation of economic and social development projects,

which are sources of revenue more stable and continuous.

d. Recommending the establishment of a sovereign fund for oil surpluses.

References

(1)   Blanchard, Olivier (2008) Faults in the System Reform of the World Economy Affected, Journal of Finance and Development, No. 4 Volume 45.

(2)   Central Bank of Iraq, Directorate General of Statistics and Research, Statistical Group, 2003, special issue, and the annual bulletin, for the years (2003 - 2014).

(3)   Obaid, Basim Khamis (2013) The Effect of Financial Policy on Achieving Stability and Growth in Iraq for 1990-2010, College of Management and Economics, University of Baghdad, unpublished doctoral thesis.

(4)   Residents, Ali Abbas (2009) Diversification of Public Revenues, Research Presented to the Economic Department, Iraqi Ministry of Finance, and Baghdad.

(5)   Saleh, Muhammad (2012) Iraq's wealth between the current consumption pattern and the crackdown on regional economic incentives, the Central Bank of Iraq.

(6)   Saleh, Muhammad, (2012) Monetary Policy for Iraq Building macroeconomic stability and maintaining a sound financial system, Baghdad House of Wisdom.

(7)   Saleh, Muhammad's appearance (2001) Preventive deficit in the federal budget of Iraq between the government capacity in spending and the optimization of dynamic stabilizers, the Central Bank of Iraq.

(8)   Saleh, Muhammad's appearance (2002) philosophy of balancing between the priority of stability and the construction of economic development \ A look at some trends in contemporary Iraqi school, Research Third Scientific Conference of Economic Studies, Baghdad, House of Wisdom.

(9)   Shabibi, Sinan, (2007) Features of monetary policy in Iraq, Abu Dhabi, Arab Monetary Fund.

(10)   The annual economic report of the Central Bank of Iraq for the years 2010-2014.