

An Interrelationship between the Macroeconomic variables and the Exchange Rate in Iraq for the Period (2004 - 2006)

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This study focuses on the interrelationship between the Macroeconomic Variables (MV) and the Exchange Rate (ER) in Iraq for the period of 2004-2006. There are two concepts that will be considered in this study. The first concept is the budget deficit, and the other concept is the current account deficit in the balance of payments. Furthermore, the internal debt m inflation and the (ER) have verified the validity of this interrelationship and its impacts on economics. Therefore, an economic explanation for the weaknesses and chronic structural imbalances in the Iraqi economy has been undertaken especially during the period of the research.

Key words: *Exchange Rate, Balance Of Payments, Budget Deficit*

Introduction

The rentier nature of the Iraqi economy makes it a fragile economy as a result of the almost complete dependence on oil as the main source of its financial revenues. As so, any decline in world oil prices will have negative effects on the (MV), especially the interrelationship between the budget deficit, the current account deficit in the balance of payments, internal debt and inflation, on the one hand, and the (ER) on the other. Accordingly, the interrelationship between these (MV) will be measured and analysed and then tested to ensure their conformity with the content of the economic theory, and finally, provide an economic interpretation of the results.

The Iraqi economy is a rentier economy that relies on oil as a major source of its revenues in financing the public budget. Therefore, any fluctuations in world oil prices will lead to a deficit in the public budget (expenditures are higher than public revenues), which in turn lead to a deficit in the balance of payment and thus influence the Iraqi dinar (ER).

The research aims to show the negative effects of budget deficit on the Iraqi dinar (ER), to measure the relationship between the (MV) Quantities, and to determine the most important factors of those variable affecting the Iraqi dinar (ER). The existence of an interrelationship between the actual balance of both the public budget and the balance of payments on the one hand, and the stability of Iraqi dinar (ER) on the other hand. A descriptive-analytical approach and a quantitative approach were used to measure and analyse the interrelationship between (MV) on the one hand and the (ER) on the other. Since there is a lack of some data needed to build the model until 2018, the period used for the econometric model is until 2016.

Conceptual Framework

According to Keynes (YEAR, PAGE No??), there is a direct relationship between the budget deficit and current account deficit and that the relationship direction starts to form the public budget deficit to the current deficit and thus the increase in the public budget deficit as a result of increased government spending with the stability of the level of public revenues (Suaedia & Agung, 2020; Sharaf et al., 2020).

This leads to a decrease in the level of government savings and high-interest rates, and under a flexible (ER) system, foreigners demand for the local currency will increase and thus the (ER) of the national currency increases against foreign currencies, which leads to increased imports and lower exports, and lower exports, that is, a deficit in the trade balance which is often the main determinant of the current account (Robert, 1994).

Table 1: The Components of public Budget and Trade Balance For The period (2004-2006)
Trillion dinars

Years	Expenditures	Revenues	Budget deficit	Gross domestic product	Exports	Imports	Trade balance
2004	33,6	32,9	0,674	53,2	27,1	19,9	7,1
2005	26,3	40,5	14,1	73,5	35,7	27,5	8,1
2006	38,8	49,0	10,2	95,5	43,1	25,7	17,3
2007	39,0	54,5	15,5	111,4	52,8	22,8	29,4
2008	86,6	80,4	6,2	157,0	73,5	40,9	32,5
2009	69,1	50,4	18,7	130,6	48,9	48,5	0,3
2010	84,6	70178	14	162,065	61,4	51,3	10,0
2011	89,7	103,9	14,2	217,327	97,3	55,9	41,5
2012	116,6	119,5	3,1	254225	110,4	69,0	41,4
2013	130,8	113,8	16,9	267396	104,6	69,4	35,2
2014	114,5	105,6	8,9	258901	98,5	62,2	36,3
2015	75,1	66,0	9,1	207,9	60,6	56,7	3,9
2016	67,1	54.4	12,7	196.5	48,1	40,5	7,6

References: Iraqi Economy Report, Ministry of Planning, Department of Economic and Financial Policy, Republic of Iraq, Baghdad, 2017; CBI (2016), Department of Statistics and Research, the Central Bank of Iraq, the Republic of Iraq, various pages

The Interrelationship between Budget Deficit, Internal Debt, and Interest Rate

There is a relationship between the budget deficit, internal debt, and the interest rate. The presence of a large internal debt will be reflected by an increase in the nominal interest rate paid on that debt, that is, additional public expenditures that lead to an increase in the budget deficit. In light of a large public debt and an unknown future inflation rate, as it is the case in Iraq, it becomes difficult to predict the effects on-budget deficit (Mazhar, 2011)

Table 2: Indicators of Internal Debt, Interest Rate And Budget Deficit (2004\2006)

years	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Internal debt													
/ trillion dinars	5.9	6.2	5.3	5.1	4.4	8.4	10.7	12.3	11.5	13.2	20.2	31.7	46.9
Average interest rate of the central bank (%)	6.5	7	16	20	20	7	6	6	6	6	6	6	4
Budget deficit trillion dinars	0.8	14.1	10.2	15.5	11.6	5.4	5.1	14.2	3.1	16.9	8.9	25.1	29.1

References: Ministry of Finance, Department of Public Debt Iraqi Economy Report, Ministry of Planning, Department of Economic and Financial Policy, Republic of Iraq, Baghdad, 2017.

The Interrelationship between the Inflation and Exchange Rate

Numerous international experiences have shown the success of using the (ER) as a nominal anchor for reducing inflation. Targeting inflation by targeting the (ER), even if it is done within the framework of an announced monetary policy program, means that the nominal anchor currently approved (within the monetary framework adopted by the Central Bank of Iraq) provided by the intermediate targets will change form one level to another. Its impact will be reflected in two directions. The first direction is that the rational expectations of the public will be affected immediately by the increasing degree of substitution from the dollar to the dinar to avoid any potential losses (Nazem, 2017). The Second direction is that (ER) system will be a more flexible system than its current position and will by gradually escalating in favour of the Iraq dinar.

The relationship between the (ER) and general level of prices is close to being a hedging relationship in the context of the development of the money market itself as a result of the transition from the liquidity trap in dinars to the liquidity trap in dollars. Therefore, inflationary expectations generated by the exchange market turn into actual inflationary forces embodied in the rise in the general level of prices as a result of the growth of local general liquidity rates through cheap government borrowing (Thijeeel, Flayyih & Talab, 2018)

Table 3: (ER) of Iraqi Dinar And Inflation Rate

years	Central bank (ER)s	Market exchange rates	Inflation (%)
2004	1400	1453	27
2005	1469	1472	37
2006	1467	1475	53,2
2007	1255	1267	30,8
2008	1193	1203	7,2
2009	1170	1182	2,8
2010	1170	1186	3.3
2011	1170	1196	6.5
2012	1166	1233	6,1
2013	1169	1235	3.2
2014	1186	1214	2,2
2015	1187	1247	1.7
2016	1185	1275	1.2

Reference: Hendar, M. & Kartikab, I. (2019) Product Positional Advantage on Muslim Fashion Business Performance in Indonesia. *International Journal of Innovation, Creativity and Change*, 4(4), 115-144.

The Interrelationship between The Exchange Rate systems and the Stability of The Exchange Rate

The exchange rate in the (ER) system in Iraq represents the external value of the money as a result of the correlation between oil revenues in foreign currency and the monetary issuance (after those revenues were transformed in large part into foreign reserves with the monetary authority).

As a result, the (ER) system is gradually changing from a managed floating exchange system to a very Table exchange system. This means that the banking credit multiplier is equal to one and that the currency issued has become covered with foreign at a rate of (100%) or more, according to the (ER) and its change over the past period (Belkacem, 2003)

Table 4: (ER), Oil Revenues, And International Reserves.

years	Oil revenues One billion dinars	Oil prices (OPEC basket) dollars / barrel	Central bank (ER)s	Market (ER)s	International reserves / Billion dollar	International reserves trillion dinars
2004	30543	36	1400	1453	7,9	11,0
2005	39366	50	1469	1472	12,2	17,9
2006	46529	61	1467	1475	18,1	26,4
2007	49309	69	1255	1267	30,4	38,1
2008	77875	94	1193	1203	49,2	58,5
2009	48356	61	1170	1182	44,3	51,8
2010	61077	77	1170	1186	50,6	59,2
2011	97094	106	1170	1196	61,0	71,3
2012	110012	108	1166	1233	70,3	81,9
2013	104024	105	1169	1235	77,4	90,4
2014	98095	96	1186	1214	66,3	78,6
2015	57202	45	1187	1247	53,7	63,8
2016	51547	46.4	1185	1225	45,3	53,7

Reference: International reserves were converted from dollars to dinars by multiplying them by the (ER) approved by the Central Bank.

Iraqi Economy Report, Ministry of Planning, Department of Economic and Financial Policy, Republic of Iraq, Baghdad, 2017, p27, p59

Measuring And analysing The interrelationship between The (MV)

Table 5: Variables Abbreviations

Gross domestic product/ trillion dinars	Internal debt / trillion dinars	International reserves/ trillion dinars	Market exchange rates Dinars: dollars	Money supply in narrow/ trillion dinars	Trade balance/ trillion dinars	Revenues/ trillion dinars	Expenditures/ trillion dinars	Budget deficit Dependent variable / trillion dinars
GDP	CR	RC	ED	M1	TP	RV	EX	DEF

The results of the Stationarity test of the study variables at the original level of the data show, as in Table 6, that all variables are not stationary at the original level according to the test (pp), as well as all of them are according to the (ADF) test except for the Iraqi dinar exchange rate against the dollar in the informal market, and this means taking the first difference for all the variables as shown in Table 7.

Table 6: Stationarity Tests For study Variables at The Original level Unit Root Test

		(PP) At Level					
	Statistic	DEF	CR	ED	EX	GDP	RC
With Constant	T Statistic	1.7329	2.0774	2.5733	1.7995	1.6881	2.1432
	Prob.	0.408	0.9999	0.1063	0.3758	0.43	0.2295
		no	No	No	No	No	No
With Constant & Trend	T Statistic	2.084	1.2166	2.1924	1.4732	1.2629	1.5476
	Prob.	0.5398	0.8943	0.4816	0.8235	0.8837	0.7969
		no	No	No	No	No	No
Without Constant & Trend	T Statistic	1.7364	3.6058	1.093	0.1252	0.5743	0.3593
	Prob.	0.0782	0.9998	0.2444	0.6348	0.8365	0.7841
		*	No	No	No	No	No
		(ADF) At Level					
With Constant	T Statistic	2.5264	1.3762	4.0884	1.4774	1.3964	1.1815
	Prob.	0.1166	0.9986	0.0029	0.534	0.5738	0.6731
		no	No	***	No	No	No
With Constant & Trend	T Statistic	2.7663	0.1986	3.9166	1.1481	1.7629	0.6073
	Prob.	0.2172	0.9972	0.0209	0.9068	0.7028	0.9993
		no	No	**	No	No	No
Without Constant & Trend	T Statistic	2.4302	1.5498	0.1862	0.8805	0.4791	0.314
	Prob.	0.0163	0.968	0.7345	0.3281	0.5015	0.7715
		**	No	No	No	No	No

Notes: (*)Significant at the 10%; (**)Significant at the 5%; (***) Significant at the 1%. and (no) Not Significant

Reference: Eviews Prog.

Table 7: Stationarity Tests For study Variables At The First Difference

		(PP) At First Difference								
		Statistic	D (DEF)	D (C)	D (ED)	D (EX)	D (GD)	D (R)	D (RV)	D (T)
With Constant	T Statistic	3.540	5.852	9.832	5.794	6.171	7.440	5.393	5.394	
	Prob.	0.012	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
		**	***	***	***	***	***	***	***	***
With Constant & Trend	T Statistic	3.507	8.760	13.616	6.376	6.334	8.494	5.510	5.411	
	Prob.	0.052	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
		*	***	***	***	***	***	***	***	***
Without Constant & Trend	T Statistic	3.525	5.603	9.629	5.830	6.053	7.275	5.457	5.482	
	Prob.	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
		***	***	***	***	***	***	***	***	***
		(ADF)At First Difference								
		Statistic	D (DEF)	D (CR)	D (ED)	D (EX)	D (GDP)	D (RC)	D (RV)	D (TP)
With Constant	T Statistic	3.540	0.326	1.953	1.616	1.409	4.963	1.374	3.783	
	Prob.	0.012	0.977	0.305	0.465	0.568	0.000	0.585	0.006	
		**	No	No	No	No	***	No	***	
With Constant & Trend	T Statistic	3.507	0.998	2.622	1.767	1.662	5.163	1.979	3.661	
	Prob.	0.052	0.933	0.274	0.701	0.748	0.001	0.593	0.037	
		*	No	No	No	No	***	No	**	
Without Constant & Trend	T Statistic	3.525	1.001	2.111	1.601	1.639	4.988	1.447	3.788	
	Prob.	0.001	0.913	0.035	0.102	0.095	0.000	0.136	0.000	
		***	No	**	No	*	***	no	***	

Notes: (*) Significant at the 10%; (**) Significant at the 5%; (***) Significant at the 1%. and (no) Not Significant

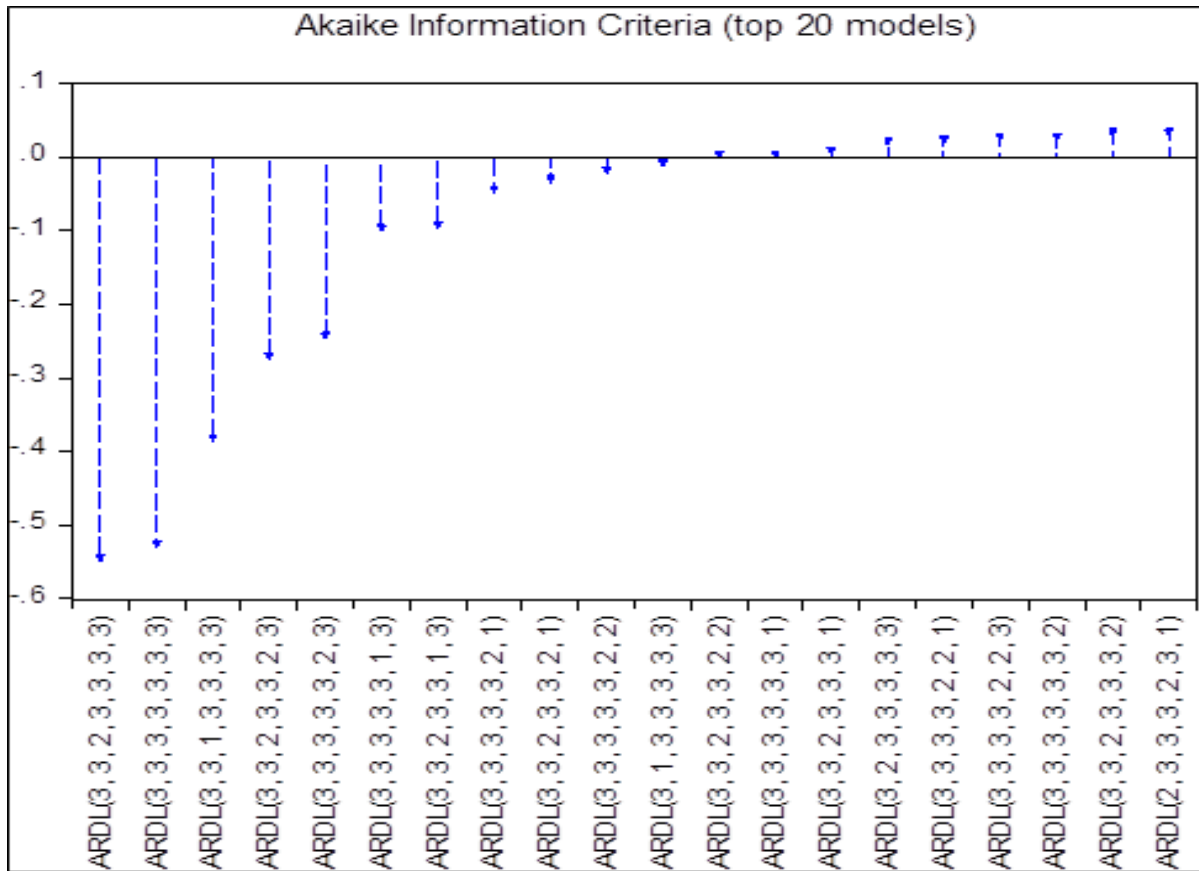
The stationarity test results for the study variables at the first difference of data show that all variables are stationary at the original level according to the (pp) test, and they are all stationary according to the (ADF) test. Since the number of observations is not large and the degree of stationary of the variables is different, it is preferable to use the Autoregressive Distributed lag Model (ARDL) (Shamsudin et al., 2019). Two Models determine the budget deficit. First, it includes public expenditures as one of the independent variables, and the second includes public revenues as one of the independent variables (Sabita, Ghadhbanb & Abbasc, 2020).

The Results

Figure 1 shows the results of (AIC) Testing to determine the optimal model.

The above results show that the chosen model is of the rank (3,3,2,3,3,3,3) ARDL, and was chosen according to the Akaike Information Criterion (AIC), as in the following diagram:

Figure 1. AIC Testing



Cointegration According To The first Model

Table (8) shows the results of the limits test as follows:

Table 8: Limits Test Results For The First Modal

FBounds Test	Null Hypothesis: No levels relationship			
Test Statistic	Value	Signif.	I(0)	I(1)
Fstatistic	11.79588	10%	1.99	2.94
K	6	5%	2.27	3.28
		2.50%	2.55	3.61
		1%	2.88	3.99

Reference: Eviews Prog.

The results of Table 8 show that there is cointegration between the budget deficit and its determinants during the period (2004-2006) in Iraq because the calculated (F) is higher than the scheduled (F) at the level of significance (0.01)

Results of the Short and Long Term Response of the First Model

Table 9: Results of The short And long –Term Response of The First Modal

The Short Term Response				
Variable	Coefficient	Std. Error	T Statistic	Prob.
D (DEF(1))	0.444	0.076414	5.806	0.000
D (DEF(2))	0.641	0.059711	10.728	0.000
D (ED)	0.015	0.003088	4.716	0.000
D (ED (1))	0.009	0.00511	1.806	0.093
D (ED (2))	0.023	0.00361	6.317	0.000
D (CR)	0.493	0.036672	13.435	0.000
D (CR(1))	0.189	0.039373	4.793	0.000
D (GDP)	0.261	0.038894	6.700	0.000
D (GDP(1))	0.101	0.061821	1.633	0.125
D (GDP(2))	0.317	0.046496	6.823	0.000
D (EX)	0.819	0.030527	26.845	0.000
D (EX(1))	0.367	0.067249	5.460	0.000
D (EX(2))	0.447	0.048751	9.160	0.000
D (TP)	0.463	0.028136	16.468	0.000
D (TP(1))	0.217	0.04877	4.448	0.001
D (TP(2))	0.189	0.032384	5.846	0.000
D (M1)	0.000	5.93E05	1.927	0.075
D (M1(1))	0.000	9.32E05	0.982	0.343
D (M1(2))	0.000	8.06E05	6.191	0.000
CointEq(1)*	0.252	0.021192	11.898	0.000
Long –Term Response				
Variable	Coefficient	Std. Error	T Statistic	Prob.
ED	0.030	0.012	2.584	0.022
CR	0.880	0.169	5.202	0.000
GDP	0.109	0.310	0.352	0.730
EX	0.935	0.147	6.341	0.000
TP	0.711	0.267	2.669	0.018
M1	0.001	0.001	1.968	0.069
C	70.472	22.906	3.077	0.008
R squared	0.999	Mean dependent var		0.58902
Adjusted R squared	0.999	S.D. dependent var		4.029327
S.E. of regression	0.133	Akaike info criterion		0.88581
Sum squared resid	0.373	Schwarz criterion		0.04992
Log-likelihood	38.159	HannanQuinn criter.		0.58142
Durbin-Watson stat	3.172			

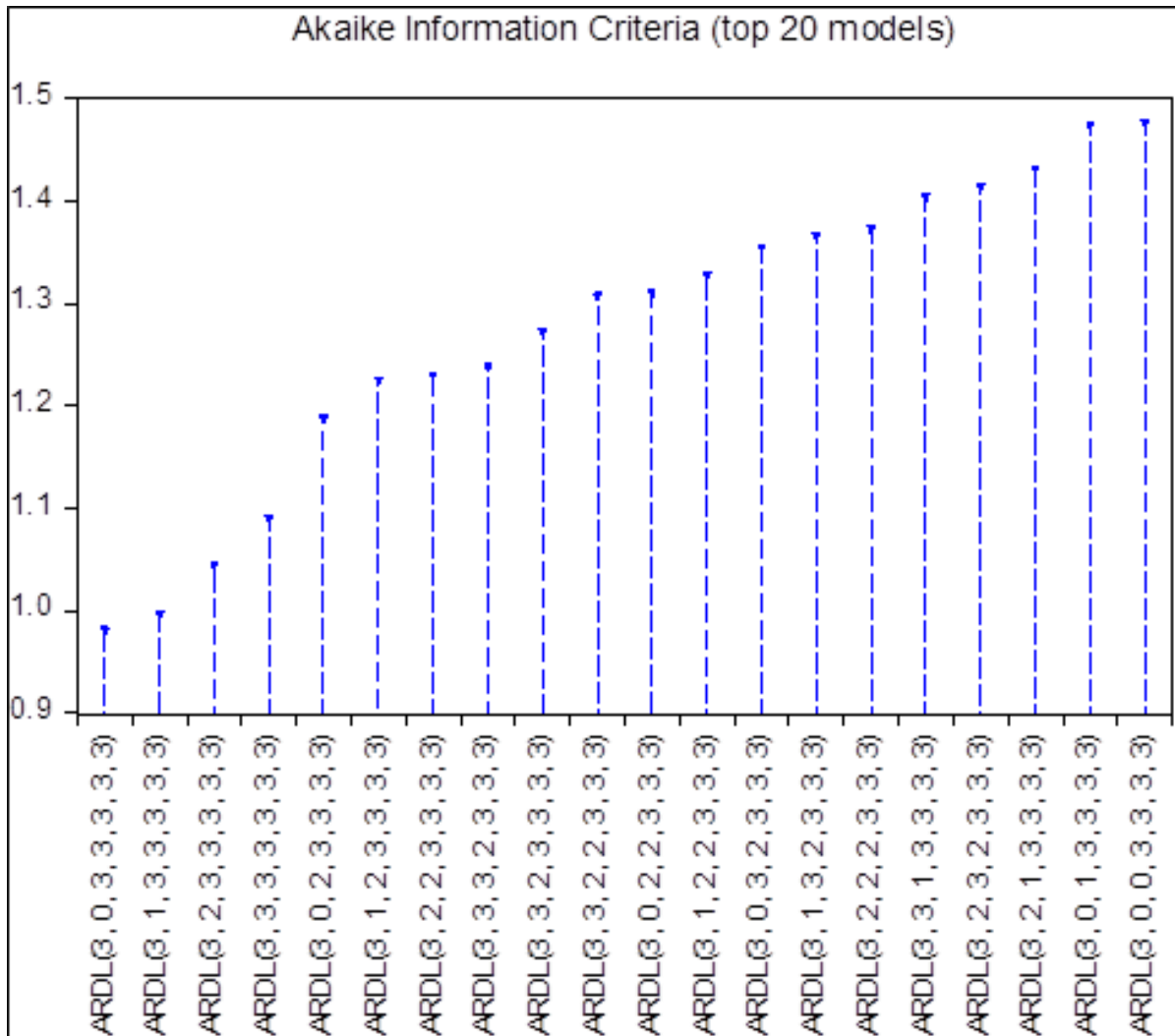
Table 9 shows the following:

The error correction coefficient in the short term response equation is equal to (0.252) and is significant at a level less than (0.01), which means that the speed of correction of the long – term imbalance takes place during (0.25) of the time. The results of the long – term response show that there is a significant negative effect of the (ER) variable (ED) on the budget deficit during the period (2004-2006), as a decrease in the (ER) by (0.03) leads to an increase in imports of one unit. This contradicts the logic of the economic theory, but the dependence of the economy in Iraq on imports almost entirely to meet its consumer and investment needs leads to an increase in the trade balance deficit directly and in the public budget indirectly, or what is known as the phenomenon of twinning deficiency. The results of the long term response show that there is a significant negative effect of the internal debt on the budget deficit during the period (2004-2006), and this result is consistent with the economic logic, as increasing the internal debt by (0.88) for the purpose of covering the public budget deficit leads to a decrease in it by one unit. The results of the long term response show that there is no significant effect of the (GDP) variable on the budget deficit during the period (2004-2006), and the reason for this is due to the sharp breakthroughs of (GDP) in Iraq over the years 2009, 2011 and 2015. The results of the long term response show that there is a significant negative effect of the variable of public expenditure (EX) on the budget deficit during the period (2004-2006), as an increase in public spending by (0.935) leads to an increase in the budget deficit by one unit. The results of the long term response show that there is a significant positive effect of the variable of trade balance (TB) on the budget deficit during the period (2004 \ 2006). This relationship also corresponds to the logic of economic theory (occurrence of a simultaneous deficit for both the trade balance and the public budget), as an increase in the trade balance Deficit of (0.711) leads to an increase public budget by one unit. The results of the long term response show that there is a significant positive effect of the variable of money supply (MS) on the budget deficit during the period (2004 \ 2006). This result is supported by economic theory, where the fiscal deficit and money supply feed one another and move in the same direction. Also, the results show that the independent variables explained (99%) of the changes in the budget deficit

The Results of Second Model

Figure (2) shows the results of (AIC) testing to determine optimal model. The below results show that the chosen model is of the rank (3,0,3,3,3,3,3) ARDL, and was chosen according to the Akaike Information Criterion (AIC), as in the following diagram:

Figure 2. ARDL Test for Second Modal According To AIC



Counteraction According to the Second Model

Table (10) shows the results of the limits test as follow:

Table 10: Limits Test Results For The Second Model

FBounds Test	Null Hypothesis: No levels relationship				
	Test Statistic	Value	Signif.	I(0)	I(1)
Fstatistic	13.04758		10%	1.99	2.94
K	6		5%	2.27	3.28
			2.50%	2.55	3.61
			1%	2.88	3.99

The results of Table (10) show that there is a Cointegration between the budget deficit and its determinants during the period (2004-2006) in Iraq because the calculated (F) is greater than the scheduled (F) at the level of significance (0.01). Results of the short and long Term Response of The Second Model

Table 11: Results of The Short And Long – Term Response of The Second Modal

The Short – Term Response				
Variable	Coefficient	Std. Error	T Statistic	Prob.
D (DEF(1))	0.518	0.078	6.635	0.000
D (DEF(2))	0.579	0.054	10.815	0.000
D (CR)	0.173	0.107	1.620	0.125
D (CR(1))	0.260	0.158	1.644	0.120
D (CR(2))	0.459	0.133	3.446	0.003
D (GDP)	0.559	0.065	8.647	0.000
D (GDP(1))	0.533	0.099	5.406	0.000
D (GDP(2))	0.395	0.103	3.838	0.002
D (RV)	0.172	0.122	1.404	0.179
D (RV(1))	0.241	0.189	1.274	0.221
D (RV(2))	1.000	0.181	5.509	0.000
D (TP)	1.116	0.052	21.268	0.000
D (TP(1))	0.643	0.106	6.060	0.000
D (TP(2))	0.716	0.082	8.769	0.000
D (M1)	0.000	0.000	1.908	0.074
D (M1(1))	0.000	0.000	2.148	0.047
D (M1(2))	0.001	0.000	6.194	0.000
CointEq ^{(1)*}	0.343	0.028	12.249	0.000
Long – Term Response				
Variable	Coefficient	Std. Error	T Statistic	Prob.
ED	0.012	0.012	1.076	0.298
CR	1.250	0.310	4.030	0.001
GDP	1.926	0.166	11.567	0.000
RV	1.470	0.287	5.115	0.000
TP	1.247	0.169	7.385	0.000
M1	0.003	0.000	9.279	0.000
C	61.470	17.730	3.467	0.003
R squared	0.997089	Mean dependent var		0.589024
Adjusted R squared	0.994938	S.D. dependent var		4.029327
S.E. of regression	0.286682	Akaike info criterion		0.639083
Sum squared resid	1.890289	Schwarz criterion		1.391383
Log-likelihood	4.898793	Hannan Quinn criteria.		0.913029
Durbin Watson stat	2.515052			

Table 11 shows the following:

The error correction coefficient in the short – term response equation is equal to (0.343) and is significant at a level less than(0.01), which means that the speed of correction of the long term imbalance takes place during(0.34) of the time. The results of the long term response show that there is no significant effect of the (ER) variable(ED) on the budget deficit during the period (2004-2006). This result seems logical and coincides with the economic reality, as fixing the (ER) weakens the role of correction on the (ER) in the long run. The results of the long term response show that there is a significant negative effect of the internal debt on the budget deficit during the period (2004-2006), and this result is consistent with the economic logic, as increasing the internal debt by(1.25) leads to a decrease in the public budget deficit by one unit. The results of the long term response show that there is no significant negative effect of the (GDP) variable on the budget deficit during the period (2004-2006). The results of the long term response show that there is a significant positive effect of the variable of public revenues (RV) on the budget deficit during the period (2004-2006), as an increase in public revenues by (1.47) leads to a decrease in the fiscal deficit by one unit. The results of the long term response show that there is no significant shot that there is a significant positive effect of the variable of trade balance (TB) on the budget deficit during the period (2004-2006), as an increase in the trade balance (deficit or surplus) of (1.247) leads to an increase in the public budget (deficit or surplus) by one unit. This relationship also corresponds to the logic of economic theory through the presence of a double deficit for both the trade balance and public budget, and this means, therefore that the phenomenon of twin deficit applies to the Iraqi economy. The results of the long term response show that there is a significant positive effect of the variable of money supply (MS) on the budget deficit during the period (2004-2006). This result is supported by economic theory, where the fiscal deficit and money supply feed one another and move in the same direction. Also, the results show that the independent variables explained (99%) of the changes in the budget deficit.

Conclusions

1. Iraq relies on a floating (ER) system managed by building high international reserves due to the accumulation of the oil revenues when its prices rise globally. The (ER) system has turned into a very stable system, which is reflected in the official (ER)s announced by the Central Bank.
2. The (ER) has been used as a nominal anchor for reducing inflation rates within the framework of monetary policy aimed at controlling the (ER) as a first step to reducing inflation rates.
3. The rentier nature of the Iraqi economy leads to the expansion of public expenditures, which becomes difficult to reduce in the difficult fiscal years. This leads to a deficit in the public budget, which means resorting to public debt and the negative effects of that on the national economy.

4. 4The first model showed a significant effect of independent variables of (ER), internal debt, public expenditures, trade balance, money supply, excluding GDP, on the budget deficit.
5. 5The second model showed a significant effect of independent variables of (ER), internal debt, public expenditures, trade balance, money supply, except for (ER) variable and the GDP variable, on the budget deficit.

Recommendations

1. Control of imports and reducing the trade balance deficit becomes a necessary condition for reducing the deficit in the public budget (the phenomenon of twinning deficit).
2. Adopting economic measures that reduce the ratio of the public debt to the gross domestic product, which means, consequently, reducing the pressures on real interest rates and, thus, reducing the public debt service, which is one of the most essential elements of the public budget.
3. The necessity of adopting the system of currency board arrangements, which is a system in which the national currency is equivalent to foreign currency with a coverage rate of (100%), especially in the light of the disruption of the work of the bank credit multiplier and that the (ER) signals are currently playing an influential role in the framework of monetary policy.

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