



# Measuring and Analyzing The Impact of Public Spending on Economic Stability in Iraq For The Period 2010-2024

Mustafa Ibrahim Abdullah<sup>1\*</sup>, Wasan Mashal Sarhan<sup>2</sup>, Abdullah Muhammad Rashid Al-Ramli<sup>3</sup>

<sup>1</sup> University of Samarra, College of Administration and Economics

<sup>2</sup> Tikrit University, Department of Administrative and Financial Affairs

<sup>3</sup> University of Samarra, College of Administration and Economics

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\*Correspondence: Mustafa Ibrahim Abdullah

Email:

[mustafa.i.a@uosamarra.edu.iq](mailto:mustafa.i.a@uosamarra.edu.iq)

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**Abstract:** This study aims to measure and analyze the impact of public spending on achieving economic stability in Iraq during the period 2010–2024, in light of the structural fluctuations experienced by the Iraqi economy resulting from oil shocks and political and health crises. The study adopted a quantitative approach based on time series data for public spending and the economic stability indicator (GDP). Econometric models, such as the Autoregressive Lag Diagram (ARDL), were also used to analyze the long-term and short-term relationships between the variables. Preliminary findings indicate that public spending in Iraq tends to be expansionary, with a significant concentration on current expenditures compared to investment spending, thus limiting its capacity to generate sustainable growth. The results also showed a significant relationship between public spending and short-term economic stability indicators, but no such relationship was found in the long term. Furthermore, the findings suggest that the Iraqi economy is highly sensitive to fluctuations in oil revenues, making the impact of public spending on stability contingent on the ability of fiscal policy to manage the economic cycle and achieve a balance between spending and revenues.

**Keywords:** Public Spending, Investment Spending, Current Spending, Gross Domestic Product, Economic Stability.

## Introduction

Public spending is an important part of the state's fiscal policy tools (Al-Ubaidi, 2011). It is defined as an additional flow embodied in the total government spending on its purchases of goods and services, whether current or investment (Ayeb, 2010). Therefore, public spending is an important part of aggregate demand, and thus it is a key tool within the framework of fiscal policy aimed at achieving economic activity and stability. Public spending is considered one of the important economic variables in playing its role in economic and social stability (Salama, 2015). This is further emphasized by the development of financial procedures, especially spending procedures, in Iraq, based on which the Iraqi government has adopted the principle of expanding public spending, whether investment or current (Khafaja, 2013). Public spending plays an important role in economic development through its main components, namely current and investment public spending, in addition to its role in providing and creating public benefits represented by providing social services and the necessary needs of the population. The importance of this

research stems from understanding the spending policy in Iraq and the extent of its intervention in economic life (Bakrin, 2015).

The research gap lies in the fact that while many studies have addressed the relationship between public spending and macroeconomic indicators in developing and oil-dependent economies, there is still a lack of comprehensive empirical research specifically focused on Iraq for the period 2010–2024. Current studies often address the following: analyze limited indicators (such as growth or inflation only), neglect the composition of spending (current vs. investment), or cover shorter and non-updated time spans that exclude recent shocks (Bakrin, 2015).

This research targeted to measure and analyze the impact of government spending on economic stability in Iraq during the period 2010–2024 by identifying the direction, magnitude, and channels through which government spending affects key stability indicators. The study sought to differentiate between the effects of current and capital spending, assess their relationships with inflation, GDP growth volatility, unemployment, and fiscal sustainability, and provide an econometric assessment to support evidence-based fiscal policy decisions (Nouziako, 2028).

The study is important because it provides policymakers with empirical evidence on whether public spending in Iraq contributes to stabilizing or destabilizing the economy (Lustig, 2020). It helps guide the optimal allocation between investment and consumption expenditures, supports fiscal reform efforts, and contributes academically by filling a national research gap on the nexus between fiscal policy and economic stability over a critical period marked by oil shocks and structural changes in Iraq's economy (Guariso et al., 2023).

## Methodology

### Problem Search:

there Many from Opinions around impact Spending Year in Activity the Economist from it What he sees as stimulant The Other It shows that it reduced The Other It is clear non presence impact, This He depends on period Time and on level Evolution in The Country the Situation Economic.

### Importance Search:

It is Spending Year Engine for activity Economic so Contributes in more Abilities yield for the economy Local, that's if what face in picture Correct about sectors Economy The task, and unlike that So directing Spending Year about sectors Economic not vitality no Tear Revenues to support Budget General leads to occurrence inability in Budget State and from then may causes in Getting Recession The economist.

### Research hypothesis:

The research suggests a statistical relationship between public spending and economic stability, meaning that public spending significantly affects economic stability through its impact on the gross domestic product.

### **Goals Search:**

Seeks Search to investigation sentence from Goals she: -

1. Study reality Spending Year Economic stability and relationship Between them.
2. Clarifying the factors affecting economic activity.
3. Study impact Spending Year in Economic stability with statement relationship The causal relationship between them.

### **Methodology**

Looking nature topic Search So Curriculum Follower he:

The curriculum Descriptive and quantitative: where It Does as describe various Concepts and theories that It relates with economic stability and spending Year.

## **Result and Discussion**

### **Theoretical Framework of Public Spending And Economic Activity**

#### **First requirement:**

#### **The Theoretical Framework Of Public Spending**

##### **First: The concept of public spending**

Public spending is defined as an amount of money spent by the state for the purpose of achieving a public benefit (Al-Ubaidi, 2011, 56). It is also defined as a monetary amount carried out by a public person for the purpose of achieving a public benefit (Al-Janabi, 1991: 17). It is also defined as a monetary amount that comes out of the financial liability of the state or one of the public institutions for the purpose of satisfying a public need (Al-Hindi, 1980, 155).

Based on the definitions provided, it is as follows:

tunnels Public spending usually takes a monetary character, represented by what the state or its public bodies pay to obtain productive resources of goods and services, and consumer goods that it needs to carry out its activities, such as paying the salaries and wages of workers, paying the dues of suppliers and contractors, spending on the army and security forces, and spending on public services and facilities. Since it is carried out in the form of cash flows, this entails the exclusion of all non-monetary means such as in-kind means or providing in-kind benefits. The monetary method has been replaced by the in-kind method of payment in all public transactions in order to achieve fairness among members of society in evaluating their efforts and determining their salaries, and also because there are no administrative difficulties in implementing this method, in addition to the ease of monitoring it (Al-Wadi, 2010: 106).

Furthermore, the requirement that expenditure be authorized by a public entity is a fundamental aspect of public spending. This encompasses all expenditures undertaken by public legal entities, the state, and public bodies such as local authorities, national public bodies, public institutions, and public projects. What the state spends to provide public services such as defense, security, the judiciary, education, and the construction of commercial economic

projects (Ayeb, 2010, 102). In order for an expenditure to be public, it must lead to the satisfaction of public needs. Therefore, the monetary value of public spending and the status of the spender are not sufficient to achieve public expenditure. Rather, public spending must lead to the achievement of a public benefit. The justification for this is that since the tax requires all individuals to bear its burden and its costs equally, then its gain or benefits must also be directed to the benefit of all individuals equally, that is, the tax proceeds must be spent to meet the public need that leads to the achievement of the public benefit. Therefore, public institutions and administrations were not established for the benefit of an individual or a group of individuals, but rather they were established to meet a public need, and public funds are one of the means used by these entities to achieve this goal, and everything that comes out of this money must be spent to achieve the public benefit, that is, to satisfy a public need (Al-Ali, 2011: 42).

### **Second: The Importance Of Public Spending:**

The importance of spending is realized through its significant impact on the national economy, leading to an improved economic standard. Therefore, the importance of public spending is highlighted by... Facilitating the study of the various impacts of different public activities and understanding their development is crucial. The categorization of public expenditures makes it easier to identify the cost of each activity, track its evolution, assess its relative importance, and compare it to other activities. It also facilitates the maintenance and preparation of programs. Public expenditures constitute a part of the state budget, being included in its accounts and linked to specific programs managed by public agencies and units. Organizing these accounts through the categorization of expenditures ensures the smooth operation of these programs and facilitates their maintenance and implementation. Furthermore, it empowers public opinion to effectively monitor the financial aspects of state activity by ensuring that the government spends the funds allocated by parliament for their designated purposes and not for other uses (Al-Ansa, 2016: 34-35). It also provides members of society with social security, contributions, pension benefits, and compensation (Khafaja, 2013: 28). When the state provides social and health services free of charge or at prices lower than their actual cost, this leads to an increase in the real income of beneficiaries (Qaddouri, 2016, p. 73). Achieving justice in the distribution of financial burdens among members of society to cover public expenditures (Bakrin, 2015, 15). As for social transfer expenditures, direct transfers are made to their beneficiaries in favor of low incomes at the expense of high incomes. Economic transfers also lead to a redistribution of income in kind, where the incomes of some economic activities or some regions in countries increase at the expense of others (Qaddouri, 2016, 73).

### **Third: Objectives Of Public Spending:**

In order to improve the economic situation, the government implements a number of objectives to control public spending, or what is called public expenditure:

Setting general rules that govern public spending policy in a way that achieves the state's economic policy (Zghair, 2017, 4).

The state aims to develop income and maintain its stability through the expansion of public spending, which leads to an increase in purchases of goods and services, thus creating additional demand for the productive resources used, which are represented in the factors of production (Awaisha, 2016: 37).

Its handling of the economic problems of benefit related to recession and recovery. During a recession, it must work hard to increase effective demand by employing as many workers as possible in service and production projects in exchange for certain wages distributed to these workers, who will spend them on goods and services to satisfy their needs. This means increasing effective demand, which leads to absorbing the supply of goods and services in the market on the one hand, and to preparing projects to expand their production on the other hand (Khafaja, 2013, 3).

It deals with the fluctuations that have occurred in the economy (especially in the case of recession). An increase in domestic income allows the state in the modern era to increase the amount it takes from it in the form of costs or public burdens such as taxes, fees, and others. These resources available to the state usually encourage it to increase its spending in various ways (Al-Mazroui, 2012, 618).

During times of prosperity, the state establishes projects, expands existing ones, and applies fiscal and monetary policies (as well as increasing taxes to reduce public spending) to limit rising inflation rates (Khafaja, 2013, 31).

### **Fourth: Factors Affecting Public Spending**

#### **1. The role of the state**

The role of the state has expanded from the guardian state, which is limited to defense, security, justice, and some public facilities, to what is called the interventionist state, as well as the expansion of its functions, which have come to include social and economic functions. When its role and interventionist functions expand, the size of public spending will increase and vary according to the degree of economic and social growth, as well as according to the degree of development, whether it is advanced or developing. That is, the role of the state and the expansion of its functions increase public expenditures and their diversity ( Al-Qaisi, 2010: 50 ).

#### **2. Economic factors**

Public spending is affected by a range of economic factors. In the case of inflation, governments resort to reducing their public expenditures. Through public spending, the economic situation is influenced with the aim of achieving economic equilibrium. The

role of public spending is effective in creating economic equilibrium and influencing the size of actual aggregate demand. (Salama, 2015: 86)

### **3. Public revenue size**

The state cannot increase its expenditures by an amount that exceeds the revenues it receives. Therefore, the size of public spending is determined by the national financial capacity, as the state can increase or decrease the size of public spending in relation to the size of the net national product (Al-Janabi, 1990: 89).

## **Fifth: Dimensions Of Public Spending**

Public spending is not merely a financial disbursement; it is an economic, social, and political tool used to achieve multiple objectives within state policies. Its dimensions can be divided as follows:

### **1. economic dimension**

The impact of public spending includes economic growth, employment, stimulating aggregate demand, revitalizing markets, and achieving economic stability (Al-Shubaily, 2018: 103–105).

### **2. Social dimension**

This is represented in the role of spending in providing public services such as education, health, social protection, reducing the gap between classes, and achieving social justice (Sadiq, 2016: 141–143).

### **3. The political dimension**

It is related to the extent to which the state uses public spending to gain popular support, achieve political stability, or use it as a tool of internal or external pressure (Al-Najjar, 2014: 77).

### **4. The developmental dimension**

It is evident in the role of public spending in financing development projects, developing infrastructure, raising the standard of living, and achieving sustainable development.

## **Second Requirement: The Theoretical Framework Of Economic Activity**

### **First: Definition of Economic Activity**

It is the effort that an individual makes to satisfy his needs or to obtain money and services. It also expresses the actions and initiatives that an individual takes in the economic field with regard to production, exchange, distribution, and consumption (Fathallah, 1981: 454).

Economic stability is considered a system within contemporary economic systems that relies on numerous economic units producing, distributing, and trading the products (goods and services) necessary to satisfy individual and collective needs (Dweidar, 2002: 17). ranking Economic stability in framework sectors Economic like sector fuels and sector Transportation, and in framework Branches Economic that she phrases on group from Economic units, and in framework units Economic that Represents Institutions Economic that It does actively economic Specific as production commodity or presentation service,

and it is used Economic stability means to achieve His goals, the means It is at work and resources natural and the machines.

### **Second: The Importance Of Economic Activity:**

Stand out importance Economic stability from during what He achieves it gesticulate He performs it from Roles she has The Impact The big one in economy National He leads to to improve Level Livelihood all individuals in the society Wali to improve Their Well-being So So Importance Economic stability comes from: -

- 1- leads to to improve Level Living for individuals because of more Satisfaction needs Humanity Especially needs Basic (beard) (93: 2016).
- 2- Increase Quantities Available for the children the society from goods Services (Khashib, 2010: 15).
- 3- Helps on judiciary on poverty And improve from Level Healthy educational For the population.
- 4- leads to investigation more Fast Cumulative Always in Income Individual via a period Extended from Time (small, 3: 2017).
- 5- Increase ongoing in Output National from during development Projects yield Which leads that to more Production Therefore will leads that to more ongoing in Output the Nationalist (Khafaja, 42: 2013).
- 6- Increase Income the Real for individuals This leads to more Consumption Therefore more Production and from it Continuity more Growth The economist (Boulehia: 93: 2016).

### **Third: Objectives of Economic Activity**

all nation from countries the world Seeking to investigation the goal from Economic stability of for him from Major effects per country from countries the world from where Preservation on stability Prices and on to improve luxury individuals The community, and the state provides support. Development Humanity that It is considered The foundation Basic for the program Economic and the social aspect (Sultani, 2014: 107), encouragement Investments Local or foreign that Leads to development The Establishment Service Economic for the country from during Support Structure Underground (Awaisha), 2016: 83). Improvement Services Public Engine for events Economic and social (Sultani, 2014: 108), that work on to improve level Living and more from luxury for life better as relieves from burden scarcity Resources and he is born more in Output National (Miss) 2016: 59). Improvement Level Healthy for the population giving batch strong for foundlings Healthy from during bring Devices Advanced and medicines Effective (Sultani, 2014: 108). Improvement performance level Growth from during the job on to lift more Spending Year Which leads that to improve Sectors Economic Social for the country (Awaishia, Nasser ,83, 2016).

#### **Fourth: Factors Influential on Activity Economist**

Economic factors are those that affect the economy and include interest rates, tax rates, laws, policies, wages, and public activities. These factors are not directly related to work but affect the value of investment in the future. Among the most important factors affecting economic stability are (Madhuri, 2022):

- interest rate: One of the main factors that affect the liquidity of money in the economy is the interest rate, which is inversely related to the investment cash flow in the country. The more the cash flow increases, the lower the interest rate, leading to a decrease in the country's liquidity. Consequently, the return on investment increases and attracts investors. However, if the interest rate on the loan increases, the cash flow in the country decreases, and consequently, the country's liquidity decreases.
- Exchange rate: The exchange rate affects the economy because of its connection to the export and import situation. It affects international payments and commodity prices, and it affects the economy.
- Inflation: As the price of goods or services increases, inflation rises and the money supply in the market increases.

#### **Analysis Of The Reality Of Public Spending And Indicators Of Economic Stability In Iraq 2010-2024**

##### **First Requirement: Analysis Of The Reality Of Public Spending For The Period 2010-2024**

##### **First: The Reality Of Public Spending In The Iraqi Economy**

Table (1) shows the development of public expenditures in Iraq during the period (2010–2024), and their distribution between current and investment expenditures. It is noted that total public expenditures increased from 55.5 trillion dinars in 2010 to 119.2 trillion dinars in 2024, with a fluctuating annual growth rate, reflecting the impact of economic conditions and oil prices on public spending. The data shows the dominance of current expenditures over total public spending, ranging between 71% and 95%, indicating the prevalence of operational and consumption-oriented spending in fiscal policy, at the expense of investment expenditures, which did not exceed 30% in most years, and even fell to less than 10% in 2022 and 2024, reflecting a decline in the focus on supporting productive projects and infrastructure.

It is also noteworthy that the growth rate of public spending was negative in some years (2010, 2016, 2019), which is often linked to financial crises or a decline in oil revenues. Meanwhile, years such as 2013 and 2022 witnessed the highest growth in public spending, driven by improved oil revenues or expansionary public spending.

**Table 1.** Analysis of the reality of the public expenditure index in Iraq for the period (2010-2024) (million dinars)

| Year | Public expenditures (1) | growth rate | Current expenditures (2) | The ratio (1:2)% | Investment expenditures (3) | The ratio (1:3)% |
|------|-------------------------|-------------|--------------------------|------------------|-----------------------------|------------------|
| 2010 | 55,589,722              | -0.17       | 45,941,062               | 82.7             | 9,648,659                   | 17.3             |
| 2011 | 70,134,201              | 0.26        | 54,580,859               | 77.8             | 15,553,341                  | 22.2             |
| 2012 | 78,757,566              | 0.12        | 60,925,554               | 77.3             | 17,832,114                  | 22.7             |
| 2013 | 105,139,576             | 0.33        | 75,788,622               | 72.1             | 29,350,954                  | 27.9             |
| 2014 | 119,127,556             | 0.13        | 78,746,805               | 73.7             | 40,380,750                  | 26.3             |
| 2015 | 125,321,074             | 0.05        | 86,568,374               | 69.1             | 38,752,700                  | 30.9             |
| 2016 | 70,397,515              | -0.44       | 51,832,827               | 73.6             | 18,564,679                  | 26.4             |
| 2017 | 67,067,434              | -0.05       | 51,173,425               | 76.3             | 15,894,008                  | 23.7             |
| 2018 | 69,430,753              | 0.04        | 52,599,836               | 75.7             | 14,744,313                  | 21.2             |
| 2019 | 80,873,189              | 0.16        | 67,052,856               | 82.9             | 13,820,332                  | 17.1             |
| 2020 | 111,723,523             | 0.38        | 87,300,921               | 78.1             | 24,422,602                  | 21.9             |
| 2021 | 76,082,443              | -0.32       | 72,712,413               | 95.6             | 3,370,030                   | 4.4              |
| 2022 | 102,849,659             | 0.35        | 89,526,686               | 87.0             | 13,322,974                  | 13.0             |
| 2023 | 116,959,581             | 0.14        | 104,941,090              | 89.7             | 12,018,490                  | 10.3             |
| 2024 | 119,234,124             | 0.02        | 108,198,899              | 90.7             | 11,035,225                  | 9.3              |

Source: Ministry of Finance / Economic Department / Unpublished Data / Open Budget Documents for Various Years / Central Bank Statistical Bulletin for Various Years

### Third: The Reality Of Economic Stability In Iraq

Gross Domestic Product (GDP) is one of the most prominent macroeconomic indicators for measuring economic activity. Table (3) shows the developments in Iraq's GDP at current prices during the period (2010–2024), along with the annual rates of change. The data shows that GDP increased from 163.1 trillion dinars in 2010 to 412.3 trillion dinars in 2024, indicating an overall growth of approximately 2.5 times over 14 years. However, this growth was characterized by instability, as it was affected by several internal and external crises.

In 2011 and 2012, the growth rate reached 0.34 and 0.17 respectively, as a result of improved oil prices. It then began a gradual decline, registering contractions in 2014 and 2015 of -0.03 and -0.27 respectively, due to security shocks (ISIS) and a decline in oil revenues. This volatility continued until 2020, which witnessed a contraction of approximately -0.21, affected by the COVID-19 pandemic and the collapse in oil prices. After 2021, output gradually returned to growth, registering 0.27 in 2022 and 0.05 in 2024. However, growth rates remained limited, reflecting the fragility of the Iraqi economy's structure, its excessive dependence on the oil sector, and the weak contribution of non-oil sectors.

**Table 2.** GDP trends in Iraq for the period (2010-2024) (million dinars)

| years | gross domestic product | Annual change rate % |
|-------|------------------------|----------------------|
| 2010  | 163,104,739.2          | 0.24                 |
| 2011  | 218,617,834.8          | 0.34                 |
| 2012  | 255,727,068.5          | 0.17                 |
| 2013  | 274,745,875.0          | 0.07                 |

| years | gross domestic product | Annual change rate % |
|-------|------------------------|----------------------|
| 2014  | 267,262,787.8          | -0.03                |
| 2015  | 196,203,013.3          | -0.27                |
| 2016  | 198,774,369.4          | 0.01                 |
| 2017  | 224,636,323.2          | 0.13                 |
| 2018  | 272,083,889.0          | 0.21                 |
| 2019  | 279,757,642.6          | 0.03                 |
| 2020  | 221,593,971.7          | -0.21                |
| 2021  | 302,691,912.5          | 0.37                 |
| 2022  | 383,064,152.3          | 0.27                 |
| 2023  | 391,431,910.5          | 0.02                 |
| 2024  | 412,345,435.3          | 0.05                 |

Source: Prepared by the researcher based on data from the Ministry of Planning / Central Statistical Organization / Accounts / Central Bank of Iraq publications for various years

## The Statistical Aspect Of The Impact Of Public Spending On Economic Activity First: Estimating The Impact Of Public Spending On Some Gdp Indicators.

From the above, it is clear that the study data is stationary at the first level and difference, and there is no need to move to the second difference. Therefore, it meets the conditions of the Autoregressive Gap Diagnostic (ARDL) methodology, as follows:

### 1. Initial model estimate

**Table 3.** Initial estimation results for the ARDL model

| Dependent Variable: Y |             |                    |             |          |
|-----------------------|-------------|--------------------|-------------|----------|
| Variable              | Coefficient | Std. Error         | t-Statistic | Prob.    |
| R-squared             | 0.905134    | Mean dependent var |             | 108.2714 |
| Adjusted R-squared    | 0.901523    | SD dependent Var   |             | 10.45256 |
| F-statistic           | 67.96546    | Durbin-Watson stat |             | 1.099900 |
| Prob(F-statistic)     | 0.000000    |                    |             |          |

Source: Table of outputs (13 Eviews).

The table above shows the initial model estimate results, indicating that public spending explained 91 % of the variance in GDP (Y1) using the ((R2 = 0.901523) The statistical F- test also showed that the model is generally acceptable.

### 2. Boundary Test.

**Table 4.** Bound Test Results

| Null hypothesis: No relationship levels |       |       |          |      |       |      |
|---|-------|-------|----------|------|-------|------|
| Test Statistics                         |       |       | Value    |      |       |      |
| F-statistic                             |       |       | 5.687687 |      |       |      |
|   |       | 10%   | 5%       |      | 1%    |      |
| Sample Size                             | I(0)  | I(1)  | I(0)     | I(1) | I(0)  | I(1) |
| 60                                      | 2.738 | 3.465 | 3.288    | 4.07 | 4.558 | 5.59 |

Source: Table of outputs (13 Eviews).

The results above show the test of the limits between (public spending) Gross Domestic Product), that is, there is a long-term equilibrium relationship between the two variables, and from these results, the impact coefficients can be estimated in the short and long term.

### 3. The effect of public spending on (GDP) in the short term

**Table 5.** Results of the impact of public spending on (GDP) in the short term

| Dependent Variable: D(Y) |             |            |             |         |
|--------------------------|-------------|------------|-------------|---------|
| Method: ARDL             |             |            |             |         |
| Variable                 | Coefficient | Std. Error | t-Statistic | Prob.   |
| COINTEQ*                 | 0.0201423   | 0.0103665  | 1.9429999   | 0.0 473 |
| X                        | 0.9346033   | 0.4813558  | 1.9416059   | 0.0375  |

Source: The table was prepared by the researcher using the (13 Eviews) program.

The table above, which assesses the short-term impact, shows a direct relationship between public spending (X) and the GDP index (Y) at a significance level of less than 0.05. This means that the higher the level, the greater the impact. Public spending led to an increase in the gross domestic product.

### 4. Impact of public spending on GDP

**Table 6.** long-term impact of public spending on GDP

| Variable * | Coefficient | Std. Error | t-Statistic | Prob.  |
|------------|-------------|------------|-------------|--------|
| X          | -46.4000    | 33.08867   | -1.40229319 | 0.1665 |
| C          | 73.7041     | 17.70799   | 4.16219642  | 0.0001 |

**Note: \* Coefficients derived from the CEC regression.**

Source: The table was prepared by the researcher using the (13 Eviews) program.

The table above, which estimates the long-term impact, shows that there is no relationship between public spending (X) and the GDP index (Y). This means that the higher the GDP, the lower the GDP. Spending This year resulted in the gross domestic product (GDP) not being affected.

### Conclusions

The table above, which estimates the short-term impact, shows a direct relationship between public spending (X) and the GDP index (Y). And at a significance level of less than (0.05), this means that the higher the public spending, the higher the gross domestic product. and The table above, which estimates the long-term impact, shows that there is no relationship between public spending (X) and the GDP index (Y). This means that the higher the GDP, the lower the GDP. Spending This year resulted in the gross domestic product (GDP) not being affected and economic stability varies from one point of view to another. Some see the impact as positive, others see it as negative, and the last point to the fact that there is no impact at all. This depends on the degree of economic development of the countries. and Public spending has a negative impact on economic stability, meaning that public spending drives out private spending, which is consistent with the neoclassical viewpoint. and two-way causal relationship between economic stability and public spending. This means that when economic stability changes, this will lead to a reduction in public spending, and conversely, an increase in public spending will reduce activity.

## Recommendations

1. Reducing public spending and limiting it to aspects that the private sector avoids. and spending policies that have an impact on economic stability, which represent expenditures that stimulate investment rather than expenditures that repel investment, since according to the direction of causality, public spending policies can be pursued in the direction of stimulating growth. and Encouraging local investment by encouraging local investors to invest within the country rather than investing abroad. And Adopting flexible fiscal policies so that fiscal policies are able to adapt to different economic conditions to achieve economic stability. and Long-term strategic planning means that public spending should be part of an integrated economic plan that ensures the achievement of sustainable development goals.
2. Restructuring public spending from current spending to productive investment spending, especially in the infrastructure, education and health sectors, reducing the single dependence on oil revenues and diversifying sources of income by supporting non-oil sectors.

The study's findings indicate that public spending in Iraq during 2010–2024 was a crucial factor in shaping the trajectory of economic stability. However, its effectiveness was significantly impacted by its composition and its reliance on volatile oil revenues. Therefore, achieving sustainable economic stability depends not only on the volume of spending but also on its quality, direction, and institutional efficiency. Implementing the above recommendations will contribute to transforming fiscal policy from a short-term consumption-driven approach to a developmental tool that supports long-term stability and growth.

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