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## FINANCIAL POLICIES DIRECTED AT EDUCATION AND THEIR IMPACT ON SOME ECONOMIC DEVELOPMENT INDICATORS IN IRAQ FOR 1990-2020

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### Abstract

Most economic development theories have shown in their discussion and study the importance of the worker and the human element as a pivotal basis in achieving and activating development, and for this element to achieve the set goals requires a process of education, training, and qualification, as economic growth (development) theories have shown that achieving economic growth rates in the long term is attributed to progress. Technical and technological, and the latter is the result of education and training as the research problem indicates that policies directed to education, including spending on education, are not consistent with raising development indicators, as the research imposed that increasing spending on education is directly reflected in raising economic development indicators in the Iraqi economic environment. Here, it can be said that Iraq, which possesses economic and human qualifications, can achieve significant development in this sector that leads to achieving economic development through developing human capital in a way that is compatible with the requirements of development and the labor market by following proper planning to direct human and material resources to create an investment environment that guarantees good outcomes—high degree of education, training, and qualification.

**Keywords:** Financial policies, Spending on education, Health spending, gross domestic product, Economic development.

### Introduction

- **Research problem:** - The policies directed at education, especially spending on education in the Iraqi economic environment, are inconsistent and different from raising development indicators.
- **Research hypothesis:** Increasing spending on education is directly reflected in raising economic development indicators in any country through various experiences in many countries.
- **Research importance:** The importance of the research is closely linked to spending on the education sector, as most of the literature indicates that increasing spending on education in the long term leads to raising economic development indicators in any country, regardless of the level of gross domestic product in that country, especially Singapore, Japan, and Malaysia. Moreover, many other countries focused directly on the education sector to

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advance the rest of the productive sectors, thus generating a driving force towards increasing the economic growth rate in the Iraqi economic environment.

- **Research objective:** The research aims to focus on spending on education and health in the Iraqi economic environment from the gross domestic product and to clarify the direct relationship between these variables, which generates knowledge of the spending ratios in these sectors, which in turn explains the importance of these sectors in raising the level of economic growth in Iraq, which is reflected in Directly on economic development indicators in the Iraqi economic environment.

## **Chapter One**

### **Economic Development Indicators in Iraq**

#### **First: - Gross Domestic Product**

1. **GDP:-** is the total value of goods and services produced and marketed within a country's borders during a specific period (three months or a year) (IMF, 2020). This indicator reflects the economic situation of the country. Increasing production in any country reflects the improvement of the economic situation of the country and the ability of this country's economy to provide more job opportunities, and thus increase the income of individuals, which is reflected in an increase in their consumption as well as their savings and investments, which leads to an increase in production again and vice versa.

This index was developed for the first time in the form we know today by economist Simon Kuznets in 1934 in a report submitted to the US Congress to estimate American production of all goods and services. This index expresses the level of economic performance witnessed by a country, and it rises at times. Prosperity declines in times of recession (Investopedia, 2021, p.8).

#### **2. Uses of GDP**

The GDP index reflects the economic activities a society worked to produce during a specific period, usually a year. It is also used in economic analyses carried out by economists to know the economy's performance in the country and predict the future situation regarding the expected rate of growth or contraction in the short term (Finance & Development, 2018, p. 9). On the other hand, this indicator is used to compare the economic performance of countries. Calculating the GDP is vital because it simply provides information about the health or weakness of the economy in any country, as an increase in the GDP indicates that the country's economy is strong and capable of expanding and creating more job opportunities, which means lower levels of unemployment and increased job opportunities, thus increasing the income available to the population.

The GDP is measured in the currency of the country in question. When the GDP value of more than one country is compared, each country's output is converted to its equivalent value in a unified currency to facilitate economic comparison.

#### **3. Components of GDP: - Are all goods and services produced within the country included**

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Gross domestic product includes all final goods and services produced within the country's geographical borders by the country's citizens or by foreigners working within the country. It may also include, in some countries, an aspect of non-marketed production, such as defense or education services provided by the government. In some countries, it may also include an estimate of the output value in the unorganized (informal) sector (ILO, 2002, p.16). The GDP does not include work done for free or without pay, such as the services of a doctor to his family, the services of homemakers in their homes, and other unpaid work or those done by volunteers for charitable purposes.

## **Second:- Health**

Health is considered one of the most essential matters in the development field because it emerges from one of the development indicators, especially according to a critical dimension represented by the social dimension. Therefore, this axis will identify the concept of health development and the essential foundations adopted to achieve healthy development.

**1. The concept of health development:** - Health is defined in the Constitution of the World Health Organization as a state of physical, mental, professional, and social integration and not merely the absence of disease and disability. Health is a fundamental human right and a global social goal and essential for meeting man's basic needs. Instead, the concept of health goes beyond this to include a total state of well-being in individuals and groups' material, physical, mental, psychological, and social health. Health is one of the basics of achieving development, and it is not a prerequisite but rather an indicator and outcome of the progress achieved. Countries used to view health services as social services, not of a productive nature. Countries are generous with it and grant it to their people if they have a surplus in their budget, but if these resources are limited, they withhold it from the people and do not provide it. However, this view was considered a traditional view and changed after it became clear that development plans do not depend only on financial capital. Still, rather there must be a worker who invests this money, an educated, cultured, trained, and fully healthy worker. Economists call this human capital, which can achieve economic and social development plans (Al-Gamal & Hisham, 2006, pp. 78-83).

Caring for an individual's health is considered the basis for his survival. Health care aims to eliminate epidemic diseases and provide the necessary health services in the event of illness through hospitals or other medical clinics. Undoubtedly, providing health is considered one of the fundamental rights of individuals. From this standpoint came the International Conference on Primary Health Care, held in Almaty in 1978, representing an essential beginning in the struggle for health. Among the text was the following: "Governments are responsible for the health of their people, and this responsibility cannot be fulfilled unless By taking adequate health and social measures, all peoples of the world should achieve, by the year 2000, a level of health that can lead a socially and economically productive life." Many reports and studies have proven that the differences in health indicators between countries only reflect the differences in economic and social development because health is a primary goal. One of the development goals is that the ability to develop itself depends on health.

On this basis, successive global summits and conferences emphasized attention to health development, and the World Bank, the International Monetary Fund, and the World Health

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Organization confirmed this. Good health enhances economic, social, and cultural development and improves economic stability and environmental protection. Therefore, one of the most important goals of development is the right of every human being to enjoy the highest level of health that can be achieved, especially since there is an expansion of the concept of health. Its concept is no longer limited to the absence of disease but extends to include a complete state of mental and physical performance, and thus, the concept of health expands to include fields. Others directly impact it, as many critical factors in the field of health and disease fall outside the direct control of the health sector and are associated with the environmental, water, and sanitation sectors. Several indicators have been developed to define the health status of various countries, which are considered indicators for measuring health development in a country. What.

**The most important of these indicators include the following (Human Development, 2014):**

- **Life expectancy index at birth:** It means the number of years a newborn is expected to live immediately after birth, if the prevailing mortality factors at the time of his birth remain as they are throughout his life. This index results from overall progress in various health, nutritional, social, economic, and cultural fields.
- **Infant mortality rate** means the number of infant deaths annually who are less than one year old for every child born alive. The rate shows the probability of death between birth and the completion of the first year of life.
- **Health spending ratio:** spending on health centers, hospitals, and family planning to total government spending. Access to health services is the percentage of the population that can obtain appropriate health services except using transportation or on foot. Public spending is an essential tool of financial policy that the government uses to satisfy public needs and achieve community goals. The volume of public spending reflects the degree of effectiveness. The government and the extent of its influence on economic activity. Public spending is a monetary measure of the goods and services that the government provides to society. The Organization for Economic Cooperation and Development (OECD) defined health spending as "the final consumption of health care goods and services, that is, current health spending, including spending on diagnostic and rehabilitative care, long-term care, ancillary services, and medical goods, as well as health prevention and public health services" (Martinez et, 2008, p.1), as defined by the US National Library "as the sum of amounts spent by individuals, groups, or private or public organizations on comprehensive health care" (Martinez et, 2008, p.4)

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**2. Levels of the health system in Iraq**

The Ministry of Health and Environment provides health services at various levels while supervising the private health sector. The health system in Iraq consists of three levels (Iraqi Ministry of Health and Environment, 2015, p. 89). **They are as follows:**

- **Primary health care services:** - The level of primary health care is the basic foundation in providing health services, including preventive and curative services, through primary health care centers, popular clinics, health insurance clinics, health homes, and birth

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and death registration centers by contexts and controls to ensure the integration of health services with other levels of health care. Through the referral system (which was applied in health institutions to organize the review of patients according to the geographical area and integration with other levels of the health system, and the primary interest of the first level is the health of women and children and providing treatment for chronic diseases, as well as implementing vaccination campaigns for children and following up on epidemic and transmissible diseases and others such as tuberculosis cholera.

- **Secondary health care services:** These are the fundamental pillars of curative and rehabilitative health services provided to citizens through public, specialized, and private hospitals throughout the country, ensuring integration in health services. The following figure shows the number of government and private hospitals in Iraq.

- **Health care services (tertiary):** This level includes several specialized centers, such as ophthalmology and surgery centers, hearing and speech centers, medical rehabilitation centers, prosthetics, and neurosurgery. Despite their limitations, these centers provide specialized medical services in medical treatment, as their number throughout Iraq is only (117). However, the demand for them is significant. It is not proportional to their numbers, especially during and after wartime, because of the increase in the number of injured people because of war and terrorist operations, as well as the increase in the number of people suffering from cancer and alcohol and drug addicts.

### **Third: Education**

If the human ability to learn was necessary to overcome the harsh conditions that prevailed at the time, as well as to gain experience and employ it in the field of production, then the teaching and learning process became transmitted from one generation to another in multiple fields, including work, production, and its methods, and organization. The teaching and learning process led to the formation of cognitive factors that had an essential role in creating and organizing productive relations. All activities throughout history, industrial or agricultural, primitive craftsmanship, industrial, marketing, and financial, resulted from significant forces that can be considered the basis for them: the cognitive factors, Education and learning, and the Industrial Revolution. The important discoveries and inventions that took place in Europe were only the result of the accumulation of knowledge and the advancement of means of production, which in turn led to the movement of economic change in Europe and the world:

1. **The concept of education economics:** Visions and definitions for this concept vary, as it can be defined as "a science that studies the best ways to use educational resources financially, humanly, technologically, and temporally in order to form people through education and training in mind, knowledge, skill, morals, taste, conscience, health, and relationships in the societies in which they live." present and future, and for the best possible distribution of this formation (Saran, 2004, p. 34). It is also known as one of the branches of economics that analyzes the role of the human element in developing the economy through scientific knowledge. Thus, it has come very close to one of the economic contents. Cognitive economics, a branch of economics that has emerged recently, is based on a new, more



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profound understanding of the role of knowledge and human capital in developing the economy and advancing society (Al-Busairi, 2014, p. 17). The great convergence in the goals that knowledge economics and economics seek in Education makes them close to the point of describing the economics of Education as one of the branches of cognitive economics, and perhaps this appears clearly through the features of knowledge economics that share and carry implications of an educational economic vision, which states: (Ous & Hall, 2005, pp. 15-20)

- An economy open to the outside is free of flow and has no restrictions.
- Investing in human resources as intellectual and knowledge capital, relying on qualified and specialized forces, and effectively employing information and communications technology.

It is also seen as one of the branches of economics focused on in the second half of the twentieth century, as spending on Education began to be linked to economic growth rates. Spending on Education was considered a type of investment, with all the resulting returns, capabilities, and skills of individuals and an investment in production. The human element is responsible for the comprehensive development process in society (Sophister, 2011, p. 359). The beginning of the launch of the economics of Education was met with resistance from some educationists through their rejection of considering educational institutions as institutions for preparing the workforce. They also rejected the relationship between considering these institutions productive institutions, believing they would lose Education's cultural, intellectual, and aesthetic role and that the institutions still need to cover the costs. It was established, but reality resulted in the complete opposite, as it proved that Education contributed to a 23% increase in American national income in 1961-1962 (Gennaioli et al., 2011, 0.150).

So we can say that the economics of Education is one of the branches of economics with modern trends based on studying in detail everything related to the economic aspects of the educational process, represented by production, that is, the production of the education service, consumption, and consumers, represented by the quality of Education, the demand for the education service, and distribution, represented by the returns of the educational process. Financially, training, and cognitively. Therefore, it is effective management through which it is possible to know and plan the actual need for the specializations required from the outcomes of the educational process to achieve economic development and to search for the necessary funding sources to achieve a successful educational and pedagogical process based on quality, and also a tool for planning and indicating the role of other sectors in the economy within this process and the role of The public and private sectors in providing education services and the extent of their contribution to financing it. Therefore, finding a specific definition or concept for this science is essential. Is difficult. Perhaps this is due to several reasons:

- a. Differences in viewpoints and specializations, and this applies to all social sciences, of which the economics of Education is one of its branches. In the case of this science, we find that some focus on one aspect rather than the other, such as the cost of Education, and then define it in terms of cost. At the same time, we find others who focus on the return on Education, which affects their definition. Even within the returns to Education, we find some who focus on the economic return and others who focus on the psychological return, and therefore, the difference in viewpoints leads to the difference in definitions. The problem may

be complicated because there is a difference between economists and educational scholars, as we mentioned above, as there is a focus on financial treatments. In contrast, the interest of those in charge of educational affairs is focused on the psychological and social aspects. Therefore, the difficulty lies in the different angles of view of the issues.

b. The disagreement over the origins of this science. The science of economics of Education came from the interaction between the sciences of economics and Education. There are also many areas of disagreement regarding each of them, especially Education, due to the difference in philosophies and viewpoints between the two specializations, as well as the factors of time and place and the accompanying difference in the cultural heritage of societies. Education is a socio-cultural process defined by factors of time and place, and there have always been some differences in the origins of this science, especially the educational aspect.

c. The modernity of the science of economics of Education. Time plays a significant role in the stability of concepts and definitions. The longer the period of the emergence of science increases, the more its concepts become stable and consolidated. For this reason and others, some prominent people in this field preferred to avoid defining this science and contented themselves with presenting the areas of research in it.

## **2. The importance of the economics of Education**

The human element and the potential and capabilities it carries have become of utmost importance and become the cornerstone of achieving economic and social development, but this element that drives it will not reach its full potential and achieve development goals unless it obtains an acceptable level of Education, as Education is the starting and influential point in preparing and forming human capital. Human Capital), so most countries, regardless of their political and social philosophy, pay great attention to the education process because it is the basis for its development. Education is a goal and a development component, as it is essential in nourishing the necessary human capabilities. However, this depends on the form of investment in Education necessary to meet development challenges (Todaro, 2011, p. 373). The impact of Education and investment in it on some economic variables can be summarized as follows:

A. About income, we find that Education has a direct impact on the level of national income. Thus, on development, studies have shown that increasing educational capabilities leads to achieving high rates of economic growth, and the regional variation in development demonstrates this, as most countries that have followed an educational system capable of creating capabilities have achieved Human and trained human capital generate high levels of income. Investment in the education sector also impacts national income through its positive impact on the private sector and income levels. Thus, gross national income, as for individual income, is also positively affected by the increase in educational capabilities through the reorganization of labor market structures and legislative and political stability, which works to increase income for individuals, so the level of Education remains the most important explanatory factor in income levels within countries and then High levels of Education will lead to higher levels of both individual income and national income.

B. The education process contributes to expanding human capabilities, which is an essential aspect of development, as economist Tuador confirms that the person who benefits

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from Education is more capable of making the optimal choice at the economic level—even those decisions related to politics (Khalaf, 2007, p. 165). Therefore, increasing human capacity through Education is vital to providing the knowledge reserve capable of creating societal innovations.

C. Education and investment in it help to absorb foreign technology. Education helps development in this aspect by facilitating technology transfer and dealing with it efficiently. As is known, technological progress is the engine of economic growth. Therefore, Education directly impacts stimulating technological progress through human capital—the trainee—which gives greater vitality to dealing with various types of modern technology.

D. Some international experiments with economic models need a reserve of natural resources. However, they have achieved essential and successful steps in all paths, especially economic ones. This is due to programming, correct planning, and thoughtful development of their human resources and workforce at various stages and levels, which has led to achieving high levels in all... Fields, primarily economic, and Japan's experience is considered a pioneer in this field, as it was able in a few years to occupy an essential position in the global economy despite the scarcity of natural resources, and its bet was on human capital and Education.

E. This also confirms the importance of Education in achieving high growth and development rates and the insufficiency of natural resources alone in creating this progress. We note that some rentier countries with natural resources have been unable to achieve significant progress, especially in the field of providing local or self-production capabilities and technology, which has made them utterly dependent on It relies heavily on imports to provide their consumer and production needs from other advanced countries in this field, and this is due to the backwardness of the education sector in terms of quantity and quality, and its inability to form and train capabilities that create an environment that encourages invention and innovation, which has made it take on the character of significant economic dependency.

F. The Education, by providing information and knowledge and increasing the individual's awareness and culture, contributes to achieving maturity and rationality in behavior and actions. When making his economic decisions, which economics assumes govern his behavior and actions and when making these decisions, whether related to consumption, investment, or production, and in the form With him, he can measure and calculate the benefits and returns that accrue to him and compare them to the costs or efforts expended, or the allocations that he must bear, so that he obtains the most significant benefit or return with the least possible cost, effort, or sacrifice when making his decisions regarding these aspects.

G. Education, through its contribution to providing awareness, culture, and information to the individual, contributes to increasing his health awareness and culture, improving his level of health, and increasing his productivity and income. Education also allows for increasing individuals' motivations and ambitions in a way that motivates them to exert more excellent activities and effort in order to increase their incomes, improve Their standards of living, and increase their level of well-being through this, whether in the economic aspect or other aspects of life that accompany it. (Madkour, 2000, p. 11)

By presenting the points above, we find that Education and investment in it significantly and effectively impact most economic aspects. Therefore, investment in the education sector is an



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important driver and an excellent motivation for achieving comprehensive and effective economic development, as we find that the education process begins with the beginning of the development process and is accompanied by it in all stages and steps. We are starting from creating the economic environment necessary to launch the development process to providing legislation and requirements through the process of making structural changes to the economic environment and in all sectors and using technology through innovations or technology transfer, development, and technology incubators, and this stage Which is called the preparation stage to move towards achieving high rates of national income in order to achieve the desired development goals.

## **Chapter Two**

### **The dominance of financial policies over most economic indicators in the Iraqi economic environment**

#### **First: Financial Policies**

##### **1. The concept of financial policies**

The American professor (Art Hansen) defined fiscal policies as "the exploitation of revenues, spending, and debt programs to achieve high levels of gross domestic product and prevent inflation" (Hansen, 1941, p. 8).

Fiscal policy can also be defined as "the public authorities' use of the state's revenues from taxes, public loans, and expenditures to meet their responsibilities in achieving various economic goals, most notably economic stability" (Jamea, 1973, p. 429).

On this basis, fiscal policy is "a program established by the state to use its revenues and expenditures to create positive effects and avoid negative effects on all its economic, social, and political components to achieve various economic goals, most notably economic stability and sustainable development."

##### **2. The development of fiscal policy**

Financial policy went through stages until it reached the development it has today, and among these stages are the following: -

- **Traditional financial policy:** - When classical and traditional financial thought appeared, the features of the state's financial system seemed more specific and disciplined, as this thought became centered on the degree of state intervention in the economy (Salma, 2005, p. 8), and then many intellectual trends appeared that began with commercial thought that called for The necessity of the state's strength and wealth to achieve the largest possible surplus in the trade balance. Then, natural thought emerged, which is concerned with studying man and his relationship with the natural world. Agriculture is the only source of wealth or net output, and therefore, their financial policy focuses on imposing a single tax on land. Then, the emergence of traditional capitalist thought, which began with Adam Smith (1723 - 1790) writing *The Wealth of Nations*, which was based on the idea that the individual is the central unit of economic activity, and the public interest is nothing but an expression of the sum of individual interests. Then, the emergence of classical thought, and one of the most essential features of classical financial policy, is the narrowing of the state's role and its limitation to external defense and internal security. Otherwise, the state leaves individuals free to pursue

their interests most beneficially to them, individually or collectively, and the annual balance of the budget is a rule that must be respected entirely. Then, the emergence of the neoclassical doctrine presented new and renewed ideas by studying modern financial policy by studying the demand side, which is governed by the desires of individuals, and the supply side, which is reflected by scarce economic resources.

- **Modern financial policy:** It can be said that modern financial policy is the summary of what emerged from that raging conflict between the socialist and capitalist doctrines, as follows: -

- a. **Socialist financial policy:** This policy is due to the contributions of Karl Marx and Friedrich Engels. Socialist public finance is concerned with economic relations based on which resources are provided according to a national plan to distribute social output and national monetary income to meet the requirements of national production and investment and other collective needs. The national plan is based on a mandatory nature according to some matters that take a directive, non-binding nature, namely influencing price levels, distributing incomes, imposing taxes, and distinguishing between wage levels. This means that socialist fiscal policy focuses more on the supply side and largely neglects the demand side.

- b. **Keynesian fiscal policy:** Keynes believes that the state must intervene in economic affairs to achieve overall economic balance, so the state intervenes to redistribute national income by increasing progressive taxes, using its proceeds to grant subsidies, and providing free services to individuals, especially people experiencing poverty who tend to consume. The state also intervenes to control inflation by reducing government spending and increasing taxes. It can also stimulate demand for investment by establishing some projects. The state can also reduce the interest rate to encourage producers to borrow to make new investments and confront monopoly with some legislative or customs measures. Keynes believes that the state can adopt Intervening financial policy through two stages. The first of which is the prepared financial policy, according to which the state authorities can implement programs that require spending huge sums on a large scale and are financed by borrowing, thus giving the first impetus to the national economy so that it can rise and move on its own, relying on its strength. The second is the compensatory fiscal policy, according to which the state authorities must consider the state of the economy when preparing government spending. In the event of a sharp decline in private spending, public spending must increase, taxes must be reduced, or a combination of the two means. However, public spending must be increased in the event of an increase in private spending. Government spending may be reduced, taxes may be increased, or both methods may be combined (Salma, 2005, p. 20).

### **3. Objectives of financial policies:**

The policy aims to achieve a set of objectives applicable in the country to an advanced degree. The objectives of the financial policy are as follows (Draz, 1990: 18)

- **Economic growth:** It refers to the continuous increase in the country's productive capabilities at a rate more significant than the rate of increase in individuals.
- **Full utilization:** This means the economy can employ all available energies and resources, especially providing job opportunities for individuals.

- Price stability: High prices lead to the spread of the inflationary phenomenon and a deterioration in individuals' standard of living. Low prices lead to deflation, so a state of complete price stability is considered an ideal state.
- Distribution of income: Fairly distributing the national product means "social justice" according to each individual's contribution to the production process.
- Balance in the balance of payments refers to the balance between capital and the trade balance.

From another point of view, other objectives have been identified for financial policy, including the following (Abdul Hamid, 2000 p. 427) (Manasriya, 2016, p. 22)

- General balance -: There must be a balance between the total national expenditure (consumption expenditures, investment, and government expenditures) and the total national product at fixed prices at a level that allows the operation of all available elements of production and the tools that the state uses to reach many and varied goals, the most important of which are: taxes, loans, subsidies, and participation. With individuals in the formation of institutions and others.
- Economic balance: achieving a balance between the private sector and public sector activities. The more private projects are capable of producing than public projects, and the more the state must refrain from direct intervention and limit its activity to directing it through taxes if necessary, the more the benefits that could have been achieved should not be reduced. Obtained if resources remained in the hands of individuals. (Abdul Hamid, 2000: 427)
- Social balance: Financial policies aim to achieve economic equality in all capitalist countries due to disparities in the distribution of income and wealth. Economic power is concentrated in a few hands, and thus, society becomes poor, and there is general frustration among individuals. As a result, all developed countries aim to reduce disparity among members of society. In order to achieve economic prosperity.
- Fiscal balance refers to the optimal use of economic resources, as the tax system must be simple and proportionate to the state's financial needs. (Manasriya, 2016, 22)

#### **4. Financial policy tools**

Fiscal policy relies on three main tools: public expenditures, public revenues, and the general budget:

- Public expenditures: Public expenditures are the cornerstone upon which the state's economic, social, and political philosophy is based. Expenditures seek to satisfy public needs. Public expenditures are sums from the state treasury to meet a specific need. This is because the government works to provide various public services aimed at protecting Citizens and increasing their level of well-being. (Fawzi, 2000, p. 21) Public expenditures aim to satisfy public needs and then achieve public benefit or interest. Those expenses that cover private interest and private benefit are not considered among public expenditures. Public benefit has sparked significant controversy among economists due to the difficulty of separating public benefit. Moreover, private benefits, on the one hand, and the difficulty of measuring public benefits, on the other hand. (Nashid, 2000, p. 33) It also results in an unstudied increase in

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government spending, specifically within the section on general expenses or employee wages, without corresponding to an increase in the gross national product and without a study that establishes A specific economic plan disperses efforts and wastes capabilities in addition to increasing spending burdening the entire state treasury and highlighting the phenomenon of economic and financial inflation in the country.

- **Public revenues:** Public revenues are defined as the total funds the government obtains to spend on public projects and put its financial policy into effect or the income that the government obtains from all parties and sources and in cash to cover public expenses. (Khalaf, 2008, 163) Revenues are the sources from which the state derives the amounts necessary to meet its expenses. These revenues are multiple, including taxes, fees, and loans.

- **The general budget:** - The general budget refers to the state's estimates that it is committed to carrying out and its resources necessary to finance these expenses, which are presented to the legislative authority "Parliament" to discuss whatever legal formulas it deems appropriate through which the executive authority can perform its tax and spending tasks during a specific period. The budget is Public, a program to estimate the state's general expenditures and resources for the subsequent period. Through it, the state is committed to implementing it in two parts. The first is public expenditures "use," and the second part is state revenues, which are the state treasury. The budget is a document for studying the finances of any state and includes items of public expenditures and how to distribute the state's resources. On the various services it provides to citizens, and from the above, the budget can be a financial plan aimed at making decisions regarding expenditures and revenues for a later period, as it represents a financial program that includes the financial policies and goals that the state seeks.

## **Second: Financial dominance**

### **1. The concept of financial dominance**

The concepts of financial hegemony varied according to the form, type, and degree of financial hegemony exercised by the government over the central bank and monetary policy. The governments of developing countries use the direct form of financial hegemony, while developed countries use the indirect form of financial hegemony. The form of financial dominance also varies depending on the state's general budget revenues. The quadrant countries impose a hegemony that differs from countries whose revenues are generated through traditional methods such as taxes, fees, etc.

The concept of fiscal dominance means that monetary policy is subject to financial needs in light of high public sector debt and inefficient tax collection (Alloush et al., 2019, p. 81).

Fiscal dominance is also defined as the possibility that monetary policy moves through fiscal policy. Financial dominance is the main obstacle to the effectiveness of controlling inflation. The conflicting goals between the financial and monetary authorities often lead the central bank to abandon its efforts to achieve price stability, and financial dominance means that the government spends without any coordination with the monetary authority. Through these concepts of financial dominance, it becomes clear that if the percentage of the government's public debt contribution is a large percentage to the monetary basis, public

finances control these two monetary institutions. That is, the monetary basis moves through the central bank lending to the government by purchasing treasury transfers directly from the primary or secondary markets. (Alloush et al., 2019, 82)

Financial dominance means the government plans its spending without coordinating with the monetary authority. To do so, it sets its expenditures and does not care about the amount of the budget deficit, as this deficit is managed by the Central Bank or by the money market. This often happens if the central bank is not independent of the government in designing and implementing monetary policy, as its policy is dominated by the objectives the government sets and cares about when setting the main lines of the state's economic policy. Therefore, the government will not care about the growth of the budget deficit as long as it does not. It is expected that the cost of income will increase as the Central Bank provides most of the financing for this deficit, whether from natural sources or by issuing more new money, which leads to a significant decrease in the monetary authority's capacity and further growth in the amount of the budget deficit and also leads to an increase in inflation rates and a decline in the value of the currency—national value against foreign currencies (Saud, 2006, p. 275).

## **2. Reasons for financial dominance**

The reasons for domination were numerous and differed between countries according to the prevailing economic thought in that country or according to the political or social system. However, anyone following this phenomenon realizes that the main motive has always been political. When the economic decision is made with political visions, the form of this phenomenon begins to crystallize and expand. In the following two paragraphs, we will review two main reasons for this phenomenon through two types of political rule. In the first paragraph, there is a democratic political system that came to power through the ballot boxes. At the same time, the second is a dictatorial political system, and the question is whether financial hegemony can appear under... A dictatorial political system. Can it appear under a democratic system? This is what we will show in the next paragraph

A. Public choice and the politicization of finance The emergence of this theory goes back to 1962 after the publication of the book *Calculus of Consensus* by Gordon Tullock and James Buchanan, as this theory is considered a branch of economics.

This theory believes that individuals' behavior when entering markets is similar to their behavior when entering political markets. In the first market, the individual consumer works to achieve the most significant possible benefit from his acquisition of the good or service, that is, fulfilling his purely subjective desires, while individuals, when they are used in turn as voters or Politicians or administrators, their main goal is to achieve their interests. They try to increase their self-benefit to the maximum possible extent, even if they claim they are working for society (Musgrave, 1992, p. 127).

B. Political concentration: Concentration of power: What is meant by political concentration is the concentration of political administration with a small number of people and the confinement of political and administrative powers to this limited number of them, who often assume the reins of government by force and maintain them by various means, with the deliberate absence of the role of other political forces. (Ibrahim, 2005, p. 31)



Therefore, a form of political administration of this type must have adverse economic effects stemming from poor decisions that are often individual or have unique goals, such as increasing military spending or spending on internal security. Every economic decision results from a political decision. Political power often expands over time at the expense of general economic and financial decisions. Political power is usually higher than the power from legal legislation defining its powers. Many studies have proven a relationship between political concentration and several economic variables. For example, there is A direct relationship between political concentration, government spending, and deficit financing. (Ibrahim, 2005, p. 32)

### Chapter Three

#### The impact of financial policies directed at education on some development indicators in Iraq

##### First: Data on some development indicators in Iraq for the period 1990-2020

Before discussing the impact of the interaction between development variables in the Iraqi economic environment, we will notice that some of these indicators change significantly as a result of the political, economic, and military conditions that Iraq went through during the research period, as most of the indicators that were collected are unstable during the research period due to the changes that Iraq has undergone. It is huge at all levels, especially economic ones. We will summarize some data related to some development indicators in the Iraqi economic environment during the research period, especially the gross domestic product, the average per capita share of the gross domestic product, spending on education, and spending on health as a percentage of the gross domestic product, as follows: Table (1) shows the previous data:-

**Table (1) shows the value of the gross domestic product, the average per capita share of the gross domestic product, spending on education, and spending on health as a percentage of the gross domestic product for the period from 1990 - 2020 (million Iraqi dinars) (%)**

Health spending as a percentage of GDP %	Spending on education	Average per capita	GDP	Year
1.95	14179	915.2	16373.4	* 1990
2.01	17497	387.4	7134.8	1991
2.07	32883	473.1	8964	1992
2.13	68959	683.3	13318.4	1993
2.20	199442	635	12703.4	1994
2.27	690783	505.3	10376.8	1995
2.34	542541	735	15527.8	1996
2.41	605802	1194.9	26342.7	1997

2.49	920501	1564.8	35525	<b>1998</b>
2.56	1033552	1786.4	41771.1	<b>1999</b>
2.64	1498760	1758.6	42358.6	<b>2000</b>
2.72	2069727	1746.5	43335.1	<b>2001</b>
2.81	2518285	1578.1	40344.9	<b>2002</b>
2.99	551733	1024.7	26990.4	<b>2003</b>
3.84	20145100	1488	41607.8	<b>2004</b>
2.9	359811686	1553.4	4348.8	<b>2005</b>
2.42	50936300	1660.9	47851.4	<b>2006</b>
3.11	51727268	1634.3	48510.6	<b>2007</b>
3.04	86683832	1674	51716.6	<b>2008</b>
3.77	69165523	1728.2	54720.8	<b>2009</b>
3.23	48657467	1783	57925.9	<b>2010</b>
2.79	96662767	1909.2	63650.4	<b>2011</b>
2.69	42158634	2095.4	71680.8	<b>2012</b>
2.82	50310266	2155.7	75658.8	<b>2013</b>
2.8	51819573	2220.37	169602658.8	<b>** 2014</b>
3.14	45921291	2286.91	182051372.6	<b>2015</b>
3.28	46298818	2355.51	199476600.2	<b>2016</b>
4.19	4768777	2426.17	201528215.6	<b>2017</b>
4.06	4911840	2498.88	210532887.2	<b>2018</b>
4.26	5059195	2573.76	211789774.7	<b>2019</b>
5.08	5210970	2650.91	188112265.8	<b>2020</b>

**\*Note that the base year is 1988**

**\*\* The base year was changed by the concerned authorities to 2007 according to statistics issued by the Central Bank of Iraq - General Directorate of Statistics and Research.**

**Source :-**

- **Unpublished doctoral thesis, Hussein Barism Habib, Analysis of the relationship between investment in the education sector and economic development in Iraq - policies, influence and requirements, College of Administration and Economics, Wasit University, 2019.**
- **Central Bank of Iraq, various bulletins - General Directorate of Statistics and Research.**

Through the Table above, we find that there is an apparent fluctuation in the gross domestic product at constant prices during the research period, as Iraq witnessed a decline in some years and an increase in other years, as shown in Table (1) as a result of the circumstances that Iraq went through, especially the economic blockade, the American occupation of Iraq, and the war against... Criminal gangs, the destabilization of the security situation, and the accompanying decline in global oil prices directly affect the gross domestic product in Iraq since crude oil represents the most significant source in the formation of the Iraqi gross

domestic product, in addition to the significant fluctuation in production quantities during the research period.

All of these political, social, and military changes led to the fluctuation of the gross domestic product, which in turn was reflected in the average per capita share of the gross domestic product and was also reflected in the share of education and health as a percentage of the gross domestic product in the Iraqi economic environment. Table (1) shows the above data accurately and transparently.

## **Second: Using the SPSS program to determine the impact of these policies and build models**

Describing the political model is one of the first stages in estimating the model. It is built on the foundations of identifying the dependent variable and the independent variables that affect the dependent variable and building and describing a proper relationship between the variables according to the logic of economic theory by relying on the SPSS program and applying a simple linear regression model to show the impact of the variables. Independent on the dependent variable through three models as follows:

**1. The first model:** The gross domestic product represents the independent variable that affects the first dependent variable, which represents the gross domestic product's share or per capita share. The gross domestic product is indicated by the symbol (GDP), and the average per capita share is indicated by the symbol (X1), as in The following equation:

$$x1 = a + bGDP$$

whereas :

X1: is the dependent variable that represents the average per capita GDP.

a: is the starting point of the function.

b: It is the slope of the function or a percentage of change that expresses the change in the dependent variable as a result of changing the independent variable by one unit.

**2. The second model:** - The gross domestic product represents the independent variable that affects the second dependent variable, which represents spending on education in the Iraqi economic environment. The second dependent variable was also referred to as (X2), and the gross domestic product was indicated with the symbol (GDP). , as in the following equation:

$$x2 = a + bGDP$$

Where X2: is the share of spending on education in GDP.

**3. The third model:** The gross domestic product represents the independent variable that affects the third dependent variable, which represents spending on health as a percentage of the gross domestic product in the Iraqi economic environment. The third dependent variable was also referred to as (X3), and the domestic product was also indicated The total is represented by the symbol (GDP), as in the following equation:

$$x3 = a + bGDP$$

Where X3: is the share of spending on health as a percentage of GDP.

## **Third: The effect of regression on the variables using the simple linear regression method**

Through the SPSS program, version 24, in which the data in Table (1) was dealt with through the equations that were formulated above, the results showed the following:

1. **The first model:** the independent variable (Gross Domestic Product) and the dependent variable (average per capita GDP X1)

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.688 <sup>a</sup>	.473	.455	489.59117

a. Predictors: (Constant), GDB

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6249550.125	1	6249550.125	26.072	.000 <sup>b</sup>
	Residual	6951285.965	29	239699.516		
	Total	13200836.090	30			

a. Dependent Variable: x1

b. Predictors: (Constant), GDB

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1360.840	99.877		13.625	.000
	GDB	5.496E-006	.000	.688	5.106	.000

a. Dependent Variable: x1

From the tables above, it is clear that (R<sup>2</sup>), which has a value of 47% as shown in the first Table, indicates the weakness of the model. Also, the f test, whose value is 26.072, if compared with the tabular value, shows that the model is good, as the sig value is equal to 000, which indicates the stability of the model in general, and the slope of the function, which we symbolize as B, reached a value of 0.688, which expresses the percentage of change in the dependent variable when the independent variable changes by one unit, meaning that the changes that occur in the dependent variable are less than the changes that occur in the independent variable. As shown in the tables above, which were extracted from the SPSS program, version 24, based on the data in Table (1)

2. **The second model:** the independent variable (Gross Domestic Product) and the dependent variable (spending on education x2)

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.094 <sup>a</sup>	.009	-.025	67893097.52053

a. Predictors: (Constant), GDB

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1203723372284092.800	1	1203723372284092.800	.261	.613 <sup>b</sup>
	Residual	133674708037023168.000	29	4609472690931833.000		
	Total	134878431409307264.000	30			

a. Dependent Variable: x2

b. Predictors: (Constant), GDB

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	37259943.648	13850215.112		2.690	.012
	GDB	-.076	.149	-.094	-.511	.613

a. Dependent Variable: x2

It appears from the data that was adopted in the model that was formulated that the results of this model are not satisfactory, as all tests are not good, and that the percentage of change in the dependent variable as a result of changing the independent variable by one unit is negative, and this is what was expressed by the simple linear regression model between the dependent variable, which represents spending on Education and the independent variable, which represents the gross domestic product at constant prices, as this model represents a reflection of the reality of Education in the Iraqi economic environment.

2. **The third model:** the independent variable (GDP) and the dependent variable (health spending as a percentage of gross domestic product X3)

**Model Summary**



Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.676 <sup>a</sup>	.456	.438	.55961

a. Predictors: (Constant), GDB

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.625	1	7.625	24.349	.000 <sup>b</sup>
	Residual	9.082	29	.313		
	Total	16.707	30			

a. Dependent Variable: x3

b. Predictors: (Constant), GDB

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.669	.114		23.377	.000
	GDB	6.071E-009	.000	.676	4.935	.000

a. Dependent Variable: x3

From the tables above, it is clear that (R<sup>2</sup>), whose value is 45%, as shown in the first Table, indicates the model's weakness. Also, the f test, whose value is 24, if compared with the tabulated value, shows that the model is good, as the sig value is equal to 000, which indicates the stability of the model in general, and the slope of the function, which we symbolize as B, reached a value of 0.676, which expresses the percentage of change in the dependent variable when the independent variable changes by one unit, meaning that the changes that occur in the dependent variable are less than the changes that occur in the independent variable. As shown in the tables above, which were extracted from the SPSS program, version 24, based on the data in Table (1)

**Conclusions:**

1. The Iraqi economy is still subject to the almost complete dominance of the oil production sector, which does not allow any other sector to drive the engine of economic development.
2. Iraq's education and health sectors suffer from several problems resulting from political, military, and economic instability, which led to a decline in them in particular and in economic development indicators in general.
3. The GDP is used to compare the economic performance of countries. Calculating the GDP is vital because it simply provides information about the health or weakness of the economy in any country, as an increase in the GDP indicates that the country's economy is strong and able to expand and create more Job chances.

4. Standard models indicated a weak correlation between gross domestic product on the one hand, education and health, and average per capita income on the other hand, as explained in the third section.

5. The education index is the lowest. It has a minor correlation with the GDP data due to the apparent neglect of the education sector by successive governments in Iraq during the research period, in addition to mismanagement and widespread corruption in all aspects of the state, which generated a noticeable decline during the research period.

### **Recommendations:**

1. Iraq depends on oil as a primary source of GDP. Therefore, we recommend developing other productive sectors by relying on accumulated oil revenues to involve these sectors in increasing their contribution to the GDP.

2. Benefiting from some of the experiences of neighboring countries or different economic models that suffered from many problems during the study period and the possibility of applying them in the Iraqi economic environment in raising economic development indicators in the Iraqi economic environment.

3. The contribution of the education process to expanding human capabilities is an important aspect that leads to raising the level of development in all economic environments, as investment in human resources is the engine of productive sectors and the use of information and communications technology to serve those sectors.

4. Increasing allocations to the education sector contributes to providing the individual with cultural and information awareness. Thus, it increases his health awareness, productivity, and income. Education also allows for increasing individuals' motivations and ambitions in a way that motivates them to exert more excellent activities and efforts in order to increase their incomes, improve their standards of living, and increase their degree of well-being, which is reflected in raising the level of development in the Iraqi economic environment.

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