# The Role of Monetary Policy in Activation of the Real Sector in Iraq

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## Abstract

The role of monetary policy and its impact in activation of the real sector comes by the financial and monetization role of investment, which is now fully mature in countries with well economic thriving. The problem of the research potentiates that the policy has limited effect in the real sector due to reluctance of due to security cause and monetary cause like investment in monetary sector due to increase in the interest rate or speculation in the selling and buying the foreign currency (dollar).

The research finds many recommendations which are the most important as follows:

1. Follow monetary policy with specific character as it contains facilities to lower the currency rate to the sector.
2. Support the monetary policy measures by following the commercial protective policy of the national product.

## Keywords

Monetary Policy, Economic Policy, Valuation, Rules, Real Sector.

## Introduction

Monetary policy is one of the general economic policy tools that achieve stability in the money market and impacts the real market. This impact depends on the integration relations between monetary and economic policies. Therefore the stimulating investment in the real market sector can be developed by stimulating these two policies (Monetary and economy).

Based on the above-mentioned, the research addressed all features of the monetary policy in Iraq between the twenty and twenty-first century, to illustrate the role played by the monetary policy which clearly affected the revenues of oil over a period of about a century. This was reflected in its tools used to influence the Iraqi economy in general through interest rate and the exchange rate tools with limited use for the quantitative tools and qualitative tools of the monetary policy.

## Methodology

The research was based on a methodology that included the following:

### The Problem of Research

The contradiction between monetary policy and fiscal policy is often a reality, which plays on the effectiveness of economic activity throughout the world and in the Iraqi economy particularly.

### The Hypothesis of Research

Provided that there is often contradiction between the tools official policy and monetary policy, also in most of the economies worldwide and in Iraq in particularly.

### The Aim of the Research

The research is to explain the role of monetary policy and fiscal policy in the global economy and in the economy and the reflection of their economic effects on economic activity.

### The Research Method

The research uses the inductive and deductive approach to achieve the objectives of the research.

## Theoretical Framework

### Monetary Policy between Valuation and Rules

The monetary policy in Iraq was determined between the methods of estimation and through the linkage of the economy with the rentier base that produces and generate oil revenues, which reflected its effects on the performance of the economy and the truth before the start of the division of procedures and policy tools and must clarify the concepts of rules and appreciation in view of different to follow the pace with monetary policy over time Ago.

### i. Rules

(Melzar) believes that a rule is more than a systematic decision-making process by monetary policy in which information is used in a stable and predictable manner (Melzar, 1990) Quoting (Uosef M. and Jordon).

A fixed path for the monetary policy instrument as a discount rate and one of the intermediate variables such as money supply or a call for a monetary policy response in response to any given change to the target variable (Jordan, 2009), Previous source.

Both (Armonr & Cofe) believe that monetary policy aims for guiding banks by dealing with the problem in the best way and keeping inflation close to its course without creating occasional fluctuations elsewhere in the economy (Armonr & Cofe, 1990).

### ii. Evaluation

Both (Kylond & Prescot) believe that discretionary monetary policy is a test of the best decision, which is the best within the current situation, and then proceed to conduct an assessment of the situation at the end of the period. However, such a policy will not maximize social objectives Economic planning is not a game against nature, but in fact a game of rational economic powers As for (Jordan), he believes that monetary discretionary policy involves treating each episode in the macroeconomic chain as a single case without creating any attempt to respond from one episode to another (Jordan, 2009).

As for (Dwver jr) Quoting (Yousef: a former source) believes that the monetary policy discretion is the freedom of monetary authority in the exercise of its procedures at its own discretion, for example: If the legislative authority directed the central bank to work better to improve economic performance and return the monetary authority of its tools, In this case, the central bank will exercise discretionary monetary policy (Dwver jr: 1994), As for (Schiller) believes that the estimated monetary policy is an argument for effective monetary intervention and based on the vision that the economy is always fraught with expansionary forces and deflationary (Schiller: 2002).

In general, the rules approach is a conservative approach that reflects the ideas of the new quantitative school (Chicago School), which considers that the increase in money supply is the cause and the main factor in the inflation must be committed to an annual rate of not more than 05% annually and when yielding to the demands of fiscal policy to increase spending This will generate the phenomenon of recessionary inflation, i.e. the synchronization of inflation and unemployment in the long term.

The discretionary approach is the Keynesian approach with the quality of the new Keynesian approach.

## Monetary Policy in Iraq during the Fifties, Sixties, and Seventies of the Twentieth Century

The objectives of monetary policy over the past fifty years are determined by the rentier environment of the Iraqi economy and the Iraqi state and the strong effects of fiscal policy and have not been sufficiently liberated to become a supportive tool to change the underdeveloped reality and adapt it to the requirements of stability and economic progress. To achieve the goal of rapid growth and development over the past three decades and thus monetary policy was more preventive than driving in the field of economic stability and the face of inflationary conditions of the country (Shabibi).

Through the development of the philosophy of the political economy of the ruling regime in Iraq, the authority took in 1964 an initiative to expand the public sector by canceling the private activity of its various forms - commercial and industrial banking, following the issuance of Law (100) for the year 1964, which nationalized all banks and foreign.

In line with the tendencies of the authority in the ownership of banks in Iraq belong to the state, which means that the private sector could not establish banks in Iraq and thus eliminated not only foreign capital in Iraq but the national private capital is high and with the deviation of the country's economic approach in the path of growth It has pushed development into, regional wars, development failures, economic growth, and the current market deterioration.

During the 1970s to late 1980, banking operations focused on one government bank, Rafidain Bank, which was in 1988 divided into Al-Rasheed Bank as well, in order to get rid of the debt problems it incurred on behalf of the Iraqi government because it borrowed in favor of financing the Iraqi war. In 1980 and defaulting on the demands of international creditors (Shabibi).

In general, monetary policy in its general concept was linked to the content of its effectiveness with the existence of the central banking institution and the form in which the bank's ability to complete its tools and biography on its target variables (Yusif).

Iraq suffered through the development of its modern monetary system of the phenomenon of complete monetary imbalance is not the result of the value of monetary unit borrowed, but a strong response to political conditions decided by the theory of growth and underdevelopment on the positions of the parties to the international economic relationship.

After the formation of the Committee on the issuance of currency in 1931 for the issuance of an Iraqi currency assigned base exchange gold and make the value of 70322382 grams of pure gold.

The exchange system in the country has come close to the relatively established rules of gold, the value of the currency, and international arrangements resulting in the establishment of the sterling bloc, however, the exchange rate extension has become winding, but on both sides of the base expressed by changes in the value of the nominal stabilizer and its international base arrangements following the fluctuations of the economic cycle of the growing countries in 1931, which exacerbated the imbalances in the international balance of payments, especially the United Kingdom, which emerged from the base of gold bullion. By refraining from converting the gold to its specific gold standard, which led to the devaluation of the pound, which was echoed in the Currency Amendment Law No. 151 of 1931, which changed its nominal fixed basis from its indirect gold value to the direct link to the pound and an equal exchange rate. Aljubl Silver: 1972 about Yusif.

The spread of the Iraqi National Bank coincided with the establishment of the Second World War and the conclusion of the agreement (Bretton Woods) has been reviewed nominal fixation and base metal instead of its previous value (70322382) grams to a value equal to (3058134) grams of pure gold and gold base The value of the nominal stabilizer was changed again in 1949 to drop to (2058134) grams of gold to absorb the momentum coming from the sterling region, which fell from its mass in 1958, where it was officially announced in 1958. However, the value of the nominal stabilizer remained at its level until 1982. Where it was reduced again by 5% Thus, the Iraqi dinar is equal to 032169 dinars per US dollar (Al-Baldawi, 1949).

Under the dollar exchange leaders taken by the monetary authority following the US exit of the 1971 adjustable gold rule.

It is worth mentioning did not face from the development of monetary policy task of direct targeting of the exchange rate during the period that was established the Central

Bank of Iraq until the period that followed, which extended from the fifties of the last century until the beginning of the eighties of the same This is due to the stability conditions experienced by the country during that period.

## The Deterioration of the Monetary System in Iraq during the Eighties of the Last Century

Before the beginning of the Iran-Iraq war, the Iraqi dinar had a very strong acceptance at the local and international levels. The exchange rate followed was the fixed exchange rate, where the Iraqi dinar was equal to $ 3.3. This value before the rise in oil prices was based on the diversified economic base through contributions. Many sectors of the national income, despite the likely contribution of oil revenues (Hamad, delete the zeros).

However, the outbreak of the Iran-Iraq war and the increase in military spending, and the deterioration of other economic sectors that were contributing to the national income showed significant development in the value of the dinar due to a deficit in the balance of payments and the increase of Iraq's debt to the countries that produce weapons to provide the war requirements that contribute to added value.

This situation has pushed the Iraqi economy to rely on oil rents only, so oil rents have become a major source in the composition of national income.

After Iraq lived in the seventies of the last century on the pillar of the turmoil in the oil markets, the oil prices doubled between 1973-1979 and achieved oil surpluses in the form of foreign exchange reserves of nearly 40 billion dollars and then the average per capita income of 3400, which is equivalent to 8000 dollars. It remained 25% to 30% of the GDP, with the share of oil increasing to 55-60.

The oil-based economic system has been exposed to serious confrontations. The war with Iran, which depleted oil revenues without sufficient funding to finance the war, was at a time when oil markets were in a prolonged recession over the period by borrowing from neighboring oil-laden countries to offset the costs of the war. Which constituted a significant burden of external debt, This situation is a deteriorating situation for the value of the Iraqi dinar and it has become difficult to impose any kind of taxes on other productive economic sectors because of the deterioration of macroeconomic activity.

## Monetary Policy under the Economic Siege of 1990-2003

The economic activity under the economic theory is organized and regulated by the market mechanism that corrects the imbalances, and the classics call the term self-organized economy (self-regulation) (economy- on economic activity scgiller: 146)

Because this economy, according to classical theory, self-correcting itself to achieve long-term growth and that the correction is done through a market mechanism based on price elasticity and flexibility of wages.

Keynesianism has broken the classical theory after the Great Depression. Keynes referred to what he calls the instability of economic activity (inherent instability), While the classic pointed out and stressed the stability of economic activity and based on the stability of the instability between economic activity emerged the role of rival monetary policy and supportive despite the difference of economic schools of thought with the Keynesian school and headed by the school of economic thought with the Keynesian school, headed by the new quantitative school that emphasizes the stability of the growth rate Money supply at rates not exceeding 05% per annum.

**The role of government and through fiscal policy emerged and represented the following:**

A - Allocation function
B -Distribution function
C - Stabilization function

The resource allocation function relates to the role of government in the provision of goods whose net social benefits differ from private benefits and may be able to provide these goods in a more efficient manner than the private sector.

## 1. Monetary Policy based on Surpluses and Income of Economic Sectors

The economic siege has given a new character to the Iraqi economy and around the role of monetary policy from the positive to the negative role, oil rents are no longer essential as inflationary tax or inflationary rents have emerged (inflation tax rate) (Williamson, 2002), Replaced the lost oil revenues in financing public expenditures and by more than 85% of the revenues that were covered by oil exports.

This type of financing was based on the phenomenon of cash issuance through the maximum increases of cash flow in the public budget versus a downward growth in the development of the production sectors in the growth of the productive sectors of goods and services and disproportionate to the increases in government expenditure financed by deficits and this type of inflation is called (Seignorage) means the issuance of cash resulting from the government's exploitation of the strength of the central bank in the issuance, a means of obtaining these resources caused inflation rates to rise in fictitious figures, sometimes more than 100% in one day. This has lost the chances of stability and growth in the productive and service sectors and monetary policy has become supportive and subject to the objectives of fiscal policy and replaced the approach of the discretionary monetary policy approach to the monetary policy that follows the approach of rules For example, the domestic public debt financed by cash issuance increased from 25 billion Iraqis in 1990 to about 06 trillion Iraqi dinars (Saleh, 2008) In general, the sources of rent were as follows:

a. Inflation tax: It is the result of the cash issuance, which depleted the resources and wealth of the people, especially low-income members of the public sector working in the government sector, which led to a major leakage in the system of state employees and the spread of bribery and administrative corruption as employees get 10% of what was It gets in the 1980s compared to the 1990s.
b. The second type of sources of rent is the purchase of agricultural products from farmers at very low prices to support the establishment of the ration system.
c. The third source is an important source of rents and financing the needs of the public budget and imports of goods and services. It is the exploitation of the monopoly power of the Central Bank to absorb the revenues resulting from the transfer of Iraqis to their relatives and humanitarian, social and religious organizations (Hamad, delete the zeros).

The result of the siege period is the phenomenon of (dollarization) and the adherence and preference of the Iraqi individual, especially from the commercial class dollar over the Iraqi dinar.

## The Field Study

### Fist - Monetary Policy 2003-2010

The economic siege and the first and second Gulf War left its mark on the performance of the monetary policy in Iraq and on the performance of the economic sectors, which became almost faded due to the airstrikes on the economic establishment. This reality is reflected in the contribution of the economic sectors in the national income and GDP. After 2003, we note that the difference in the contribution of economic sectors, for example, the national income of Iraq amounted to 1501342203 million Iraqi dinars in 1998 and rose to 8543163803 million Iraqi dinars 2006 at current prices and a growth rate of 24.03%.

This difference resulted from the entry of the contribution of the oil sector in the gross domestic product and national income The average per capita income of the national income was 2926339 Iraqi dinars 2006 at current prices, thus reaching the growth rate of the average per capita income 1998-2006-20.04%.

The gross domestic product amounted to 41022927 million dinars in 2002 and then increased to 9558795408 million dinars in 2006 at current prices, achieving a growth rate of 23.06% during the period 2006 Commodity activities constitute 66.09 of the GDP in 2006 (Ministry of Planning, 2008).

As for the contribution of the economic sectors in the national output for the period 2001-2006, they were as follows:

**Table 1 The contributions of the economic sectors of the national product shows**

| the year | Agricultural sector % | Mining Sector % | Manufacturing Sectors% |
|---|---|---|---|
| 2001 | 0.063 | 0.61 | 0.024 |
| 2002 | 0.075 | 0.56 | 0.021 |
| 2003 | 0.081 | 0.60 | 0.061 |
| 2004 | 0.070 | 0.51 | 0.021 |
| 2005 | 0.062 | 0.50 | 0.023 |
| 2006 | 0.061 | 0.45 | 0.023 |

Source: Table prepared by the researcher based on the bulletin issued by the Ministry of Planning.

It is noted from the above table that the mining sector received a high share of the national income while the agricultural and industrial sector represented only a small and low percentage of the national income during the period 2001-2006.

Based on the above, the real sector except the mining sector does not constitute a little cover for the currency in Iraq (Iraqi dinar), which indicates that the currency exported in Iraq will form a demand for the import of foreign goods and services on the other hand, the currency data exported for the years 2003-2006 are 5.655.458 million Iraqi Dinars 10.266.521 million Iraqi Dinars 11.916.55 million Iraqi Dinars 15.632,255 million Iraqi Dinars 15,632,255 million respectively.

It is also noted that the amount of currency exported doubled by 27.06%, which indicates the sensitivity and liability of each Iraqi dinar exported to oil revenues exported abroad because the most effective cover in the national output is the production of oil.

This leads to the recognition that the interruption of oil revenues is the source of the collapse of the Iraqi dinar in the period of the economic siege and is a source of strength after the evacuation of the siege.

The percentage of credit granted to the national product in Iraq at a low value despite the expansion of its offer during the period did not exceed this rate of 04% note that the rate of 05% according to the international standard is a low contribution to the financing of economic activity (Shabibi. Previous source: 15).

For example, the capital of the banking system (101) trillion dinars, mostly due to the total sector in 2006, but its contribution to the credit granted does not exceed 22.05%, while government banks were responsible for 79.02%, which indicates the financial depth required in banking institutions is still For example, the unpaid contractual credit during the period from 31-07-2004 to 30-06-2008 in proportion to its repayment is almost non-existent.

Concerning bank facilities in the current account due to the desire of customers to obtain these facilities (Saloman).

In light of weak banks' directives to grant credit due to security conditions and the risk of defaulting loans, the Central Bank went to increase the interest rate to reach 20%, which led banks to go to the bank in the years from 2004 to 2009.

This quantitative monetary policy by raising interest policy, which was intended to control inflationary pressures, weakened the chances of investment in safe areas
(Role of financial institutions).

As a result of the high cost of investment and therefore this monetary policy has worked unintentionally in the course of the opposite of the objectives of growth and development as well as the development of the real sector and services.

## Scand - Monetary Policy during the Period 2010 – 2017

Due to the decline in global oil prices and the entry of the world economy in a phase of deflation after 2007 began to appear deflation after the end of 2007, where the decline in oil revenues funded to public expenditures, The problem of economic stability has emerged. Is it possible to monetary and fiscal policy to achieve economic stability.

They believe that monetary policy has become the cornerstone of stabilization policy (policy through the keys that it owns and that exceed the keys to fiscal policy namely (Merzlakov):

1. Speed and flexibility
2. Ability to retire from inflationary pressures

In light of the above differences in the monetary and financial approaches, the deficit of the state budget was apparent in this period, although it existed during the period 2003-2010. Budget to avoid the negative effects of other funding sources.

The central bank has played a role in guaranteeing and selling treasury bills.

To clarify the change in policy orientation between the two periods, we review the following table, which shows the change of the monetary policy approach and its role in ensuring and supporting the bills and bonds that finance the budget deficit

**Table 2 Treasury shifts to bank authorities and the amount of deficit in the budget**

| Federal budget deficit | Treasury Transfers ... | | | Commercial expenses | year |
|---|---|---|---|---|---|
| | Total Remittances | State Pension Fund | The rest of the banks | | |
| 1193520000 | 924650000 | 0 | 909785732 | 14864268 | 2004 |
| 7022560000 | 1200070000 | 0 | 1188638590 | 11431410 | 2005 |
| 5570857392 | 251500000 | 0 | 243296040 | 8203960 | 2006 |
| 9662937738 | 519000000 | 0 | 509806060 | 9193940 | 2007 |
| 90866892355 | 500050000 | 0 | 494658580 | 5391420 | 2008 |
| 18757307996 | 4478530000 | 0 | 4454628000 | 23901700 | 2009 |
| 22922155056 | 5225287000 | 0 | 5141147000 | 84140417 | 2010 |
| 15727976200 | 3891340000 | 42000 | 3838085000 | 53213091 | 2011 |
| 14796032150 | 3392000000 | 200000 | 3349809000 | 41990680 | 2012 |
| 19127944904 | 1500030000 | 237000 | 1479526830 | 20266170 | 2013 |
| 13775889418 | 7064500000 | 1419040000 | 5601579000 | 43881170 | 2014 |
| | | | | | Total |

Source: Central Bank of Iraq - General Directorate of Statistics and Research for the statistical group for the years 2004 to 2014.

It is noted from the table (01) that the ratios of treasury transfers financed by commercial banks were insignificant compared to the proportion of government expenditure if we exclude in 2004, where the beginning of the period of expansionary spending in addition to government spending.

US spending on the reform of some service units, for example, was 1.24% in 2004 and began to diminish due to the influx of oil revenues and the rise in oil prices as well as the increase of irrational government spending - for example, the percentage in 2005 fell to 0.16%, which represents 10% of the year. This percentage continued to decline until it reached in 2008 by 0.593, which is less than the proportion of 2005.

In the crisis of low oil prices, the rates of treasury transfers financed by the authorities started in 2009 to become 0.1274 a rate that doubled by about 200%. In 2010 the ratio became 0.3671 to more than triple that of 2009. Despite the declines in the increase from 2010, it was 0.3383, 0.2838 and 2011 and 2012 respectively, and 2013 and 2014 became 0.1846, which is eighteen times the 2005 level.

We conclude from this that banks went by the Central Bank to refrain from granting loans somewhat and to move towards the purchase of treasury transfers secured by the Central Bank, which generate guaranteed returns instead of granting loans, which is risky and remains deteriorating semen situation in hot areas and weak law enforcement in safe areas.

This trend has created a strong competitor to the real sector by financing rather than commercial banks looking for opportunities to grant loans to the sector and obtain high interest and development of the sector went to invest in the most secure and less profitable treasury transfers.

As for the rates of treasury transfers financed by a percentage of banks, the trend was strong towards investing in treasury transfers because they are more secure and that private banks put restrictions and high interest on loans, find in the treasury remittances investment outlet liquidity to collect profits and not disrupt the accumulated liquidity was For example, in 2004, it represented 76.227% because it was the largest investor in treasury transfers and declined in 2005, 2006, 2007, 2008, 16.22% and 04.36, 05.44 respectively due to the increase in the contribution rates of commercial banks and the emergence of the contribution of the Pension Fund and the National Insurance Institute.

In the years 2009, 2010, 2011, 2012, 23.74, 22, 24, 42.40, 22.36 respectively, It is evident that the contribution rate of the rest of the banks increased to five times or more compared to the financing ratio of the rest of the banks to the year 2006. When we exclude us in 2013, where this liquidity decline may be due to a decrease in the activity of the rest of the banks, the contribution rate has returned to expand it to more than five times as it became 23.55 in 2014 In comparison to the contribution rate in 2006 which was 04.36.

This orientation by the Central Bank and by the rest of the private banks and government Islamic banks, which created, It is also an opportunity and an outlet to invest the money of the rest of the banks in treasury transfers and not to invest in the real sector In the table (01), the purchase of treasury transfers by pension funds in 2011, where the contribution rate of pension funds was 0.0003 and also doubled to four times in 2012 and became more than four times in 2012 and became 0.0014 and also doubled to four times in a year. In 2014, the percentage of contribution to the purchase of treasury remittances increased to 05.96 and the percentage increased and doubled to 1989409 compared to the purchase of treasury remittances in 2011. The pension funds are investing in the construction sector and buying real estate to create future sources of funding for pension funds, but this trend has stopped this activity.

## Continued Impact of Monetary Policy Orientation to support Budget Deficit

In order to implement the monetary policy adopted by the Bank, which aims to achieve monetary stability in the open market framework by activating its indirect cash instruments in liquidity management, the auction of remittances continued to maturity of 191 days and 181 days.

Below are the most important auctions held in 2017:

a. The Central Bank held 06 auctions for 91 days for the amount of 100 billion dinars per issuance at a cut-rate of 1.5% and the amount paid for 2017, 50 billion.
b. The Central Bank held 09 auctions for 182 days, amounting to 200 billion per issuance, as the amount paid was 195 billion dinars for 2017 (annual economic report issued by the Central Bank, page 32) while the liquidity support of specialized banks (agricultural, industrial, housing) 05 trillion dinars, which is a small amount, what is divided on these three banks, which also refers to the weakness of these banks in revitalizing the real sector, instead of contributing to the financing of the real sector receive support from the bank until 2017.

At the same time, the bank is shifting from attracting commercial bank investments to bonds for longer than 91 days to 182.

This is to attract the investments of banks and other financial institutions to invest in central bank bonds of a nature guaranteed under the risk and risk.

To support this view, for example, the activity of the construction sector declined by 25% in 2017 compared to 2016 to reach KD 10.0 trillion compared to KD 13.04 trillion due to the decline in the financial capacity of the government sector and the decline of the role of the private sector following the financial crisis. The decline in oil prices, while the contribution rate of this activity in the gross domestic product 05% and in light of the general housing crisis in Iraq. The rest of the activities (finance, insurance, real estate services, business, agriculture, forestry, fishing, electricity, water, and manufacturing) contributed by varying rates of 04.06%, 02.02%, 01.02%, 01.01% In the manufacturing industry, although the Iraqi economy is a consumer economy, isolating the oil and mining sector.

Finally, monetary policy remains its quantitative tools, especially the exchange rate and interest rate and the proportion of legal cash reserve and the ratio of liquidity held by banks to face withdrawals do a lot in the monetary sector and much weakened in the real sector in light of the volatility of oil revenues and in the security and political environment is unstable in Iraq and in countries. The surrounding region.

## Conclusions

1. The monetary policy in Iraq began since the first of the twentieth century, sticking to the rules approach by linking the Iraqi dinar and the British bloc to some extent without paying attention to the requirements of fiscal policy and the requirements of the development of the real sector, which is the basic duty or the basic objective of monetary policy despite the contribution of the real sector in National output during that time.
2. After the middle of the last century, monetary policy was greatly influenced by the perimeter of rents imposed by the increase in oil revenues. The real sector contribution to the national product began to decline and labor migration from the countryside to the city appeared especially after the political and economic change in Iraq in July 1958.
3. Throughout the fifties and sixties of the last century, the monetary policy in Iraq had a limited impact on achieving economic stability and thus a weak impact in the real sector and a weak impact to identify the inflationary factors that hindered the growth and development and rapid development of the real and service sectors.
4. The Department of Monetary Policy in determining the impact on banks after the nationalization of private banks in 1964 and this step was eliminated foreign capital and the national capital, which affected the real sector and create a deviation in the course of the economic approach in Iraq.
5. Monetary policy was characterized throughout the fifties and sixties and seventies and until the beginning of the eighties to monitor the external transfer for the

purpose of achieving the goal of fixed exchange rate due to the conditions of economic stability experienced by Iraq in that period.

6. Oil revenues in the mid-1970s weakened the impact of monetary policy as a result of the inflation of labor in the state sector, the migration of farmers, and the decline in the contribution of the agricultural sector, especially the industrial sector in general, which focused on traditional industries, especially food industry, which focused on the manufacturing system.
7. The Iran-Iraq war at the beginning of the eighties of the last century increased military spending and created a deficit in the balance of payments. Much of the labor as a result of joining the military service and the transformation of the economy of production of weapons and import of weapons from abroad.
8. The Iraqi-Iranian war produced the phenomenon of dollarization in the Iraqi economy and the phenomenon of the depreciation of the Iraqi dinar began to appear on the surface of dealing informally. The government to deal in the dollar The migrant labor, especially Egyptian has created a black market to deal and convert the Iraqi dinar to dollars.
9. The weakness and depreciation of the Iraqi dinar reflected on the impact of quantitative and qualitative monetary policy instruments in the real and monetary sectors in the 1980s.
10. The economic siege imposed on Iraq has shifted the role of monetary policy from the positive to the negative role. Instead of the oil revenues to finance public budget expenditures, the role of inflationary tax has been the source of financing by issuing cash or deficit financing as a source. Sources through the use of the monopoly power of the bank to determine the exchange rate of the dinar against the dollar less than the parallel market price and balance, which turned the policy into tools to accumulate the dollars transferred from Iraqis abroad to their parents at home.
11. The post-2003 period resulted in the entry of US troops into Iraq and its occupation of the high oil revenues and increasing the Central Bank's income from a foreign currency, especially the dollar.
12. Led increased Iraqi oil revenues after 2003 to increase the money supply, which finances the requirements of the public budget through increasing government spending in addition to the face of increased spending by US forces in Iraq, all these variables made monetary policy interested only in the quantitative instruments through the increase of interest rate and followers of the price system Managed exchange between low and high limits to control the levels of money supply in circulation and to control the general price level.

13. The increase and increase of the interest rate to 20% and the market turmoil in the areas of western and north-western Iraq encouraged banks to deposit in the Central Bank instead of granting loans that yield less than interest rates, in addition to the fear of defaulting loans from the public due to migration and displacement during the period 2003-2017.
14. Deprived of safe areas in central and southern Iraq to take advantage of the advantages of investment in the real sector through loans and bank facilities because of the high interest rate set by the Central Bank and the reluctance of commercial banks and others to grant the loan because of the deposit in the Central Bank.
15. Safe conditions, high transport costs, the low contribution of real economic sectors to the GNP, high-interest rate, central bank managed exchange rate policy, non-restriction policy, monetary policy, impacted the real sector.
16. The impact of the decline in oil prices at the end of 2007 on oil revenues on the direction of monetary policy, which tried to overcome the path of independence of the Bank, monetary policy shifted to the sale of Treasury bills, which began to become increasingly important in financing the budget deficit after 2008.
17. The creation of a budget deficit after 2008 created a monetary policy that would fill the deficit through internal and external borrowing.
18. The guarantee of treasury bills and bonds by the Central Bank about and change the surplus in financial institutions (commercial banks, non-commercial banks, pension funds, insurance institutions, and companies) instead of investing in the real sector to investing in the monetary sector.
19. The Law on Freedom of encouraged determining the Interest Rate on Loans by Commercial Banks and Other Banks Encouraged Public and Investors to Refrain from Borrowing from Commercial and Other Banks.

## Recommendations

1. The monetary policy must be linked to the monetary policies of the international economic blocks by linking the monetary unit to the currencies in order to avoid the sudden frequent change of dinar monetary unit and the general level with the changing the oil revenues in Iraq.
2. The need to build a real sector through joint ventures with the large international companies that have a large share in the international market in order to coordinate monetary policy or harmonize the monetary sector with the real sector in Iraq.
3. The need to use all quantitative monetary tools and quality tools in the policy to influence the real and service sectors for the purpose of absorbing unemployment in Iraq instead of focusing on the policy of changing the interest rate.

4. The economic policy should find all methods to achieve coordination between economic policy and monetary policy that confirms the connection of the monetary sector to the real and service sectors, in order to enhance the rank of the dinar and to make it retrieve its place in circulation and its fundamental function as a tool for economic valuation and derivative function as a store of value.
5. The need to adhere to the system of rules, which has specific rates of money supply in order for the dinar to take its place with international currencies.
6. The need to determine and restrict the interest rate appropriately in accordance with the domestic market and the international market in order to stimulate investment in the real sector to borrow from banks and prevent commercial banks set interest rate.
7. The need to urge financial institutions and pension funds to invest in the real and service sectors and diverse the investment portfolio.
8. The need to link foreign financial institutions operating to the Iraqi money market mechanisms and monetary investment to stimulate the real domestic and foreign investment in Iraq.
9. The need to link Iraq's financial institutions to the Arab and international regional environment to benefit from the advantages of investment in the financial sector and real at the regional and international level.
10. The need to coordinate between monetary policy and fiscal policy in order to serve the requirements of economic stability and away from the policy of service deficit budget through monetary policy tools.
11. Create a political and economic environment that provides security and safety to stimulate foreign investments.

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