

# The Impact of Oil Shocks on Managing Fiscal Policy in Iraq During the Period (2005-2020)

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**Abstract---** *The Iraqi economy is one of the economies that is constantly exposed to oil shocks that affect the overall economy and make the Iraqi economy a rentier dependent on output in the oil sector, and a decline in the contribution of the rest of the economic sectors. Depends on the volume of oil exports, and when oil revenues decline, the state resorts to borrowing to cover public expenditures, based on the assumption that the impact of shocks in the oil sector is transmitted directly to government spending and then reverberates throughout the economy through the resource curse and the economy's rentier, and through integration analysis The joint show that there is a long-term balance between the variables so as to be able to correct the imbalances that occur during the oil shocks.*

**Keywords---** *Oil Shocks, Cointegration, Shock Response Function, Variance, Government Agreement.*

## I. INTRODUCTION

Oil shocks are a very important topic, due to their recurrence in the Iraqi economy, which relies on the oil sector to a large extent to finance its revenues and cover its government expenditures. Crude oil prices decrease revenues, and then government expenditures decrease, so the researchers see the need to manage fiscal policy by exploiting the oil shocks that affected the Iraqi economy through a large contribution to the gross domestic product by no less than (50%), and contributing to the general budget by Exceeding (90%), and the researchers concluded that oil shocks achieve joint integration with fiscal policy, especially government spending in the long term, and can be used as an opportunity to invest financial resources in productive commodity sectors and create added value in the Iraqi economy, which is reflected in money supply and government spending to achieve stability The economist.

## II. RESEARCH IMPORTANCE

The importance of the research comes from the importance of oil shocks and the amount of their impact on the Iraqi economy that is exposed to them, and this imposes on the macroeconomic policy maker and decision makers the need to link between fiscal policy through government spending and the amount of increase or decrease in crude oil prices to reduce the negative effects resulting from fluctuations in prices Crude oil and interchangeably.

## III. THE STUDY PROBLEM

The fiscal policy in Iraq is built on the basis of expectations in the value of crude oil, and the expectations are usually optimistic and government expenditures are based on them, but when prices fall, it causes a rebound in the oil shock, which is reflected in the decrease in government spending that drives the total demand in the Iraqi economy,

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