International Journal of Financial, Administrative, and Economic Sciences (IJFAES)
المجلة الدولية للعلوم المالية والإدارية والاقتصادية
IJFAES
Vol. (5), No. (5) May 2026 الإصدار (5)، العدد (5)

An Econometric Analysis of the Impact of Investment Expenditure on Inflation in Iraq: Evidence from ARDL and Cointegration Approach (2004-2024)

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Abstract

Investment spending, as a key component of fiscal policy, plays a vital role in influencing economic activities and supporting development processes. This study aims to examine the role of investment spending in reducing economic imbalances, particularly inflation, in the Iraqi economy. The research adopts an analytical approach using economic data to evaluate the relationship between investment spending and inflation rates. The results reveal a significant inverse relationship, indicating that investment spending contributes effectively to reducing inflationary pressures. These findings support the research hypothesis and are consistent with economic theory, which considers investment spending an explanatory variable influencing inflation as a dependent variable. The study recommends enhancing the investment environment by ensuring economic and social stability, which facilitates the implementation of investment projects and contributes to controlling inflation.

Highlights:

- Investment spending significantly contributes to reducing inflation in Iraq.
- A strong inverse relationship exists between investment spending and inflation rate.
- Economic stability enhances the effectiveness of investment projects.
- Improving the investment climate helps mitigate inflationary pressures.

Keywords: Investment Expenditure, Inflation Rates, Autoregressive Distributed Lag (ARDL), Time Series Econometrics, Correction Analysis, Error Correction Model (ECM), Iraq.

1. Introduction

Investment spending, as One of the most important aspects of the country's spending policy is its role Important In terms of impact on key economic facilities and activities Given its advantages and essential aspects for financing and meeting project requirements Investment plans that ensure addressing and finding solutions to the most important obstacles and problems that the national

economy in the country may face. And then creating a state of economic stability and balance by neutralizing the risks and imbalances that affect the structure of the economic system through the possibility of using it as an effective and influential tool in the long term.

Given the numerous structural imbalances Iraq has experienced in its economy over the past years, these imbalances have exacerbated many other economic and developmental problems. Infrastructure has suffered significant deterioration as a result of wars and unstable political and economic conditions, negatively impacting the performance of the productive and service sectors. This has also hampered and disrupted a large number of public facilities and investment projects, in addition to hindering the implementation of many development plans aimed at supporting economic growth. On the other hand, various economic sectors experienced decline and contraction, with many production projects closing or ceasing operations due to weakened competitiveness and high production costs. This is partly attributed to the Iraqi economy's vulnerability to successive dumping policies in local markets, which led to an influx of foreign goods at low prices, thus weakening domestic industries and diminishing their growth and sustainability. These complex economic conditions have exacerbated inflation and driven up prices in local markets, directly impacting individuals' purchasing power and living standards. This has also contributed to increased economic instability, despite the growing allocations for investment spending in the state's general budgets in recent years. Therefore, studying and analyzing the evolution of investment spending in Iraq, and its effectiveness in addressing economic imbalances, particularly its role in mitigating inflation rates in the Iraqi economy, is crucial. This study aims to review and analyze the relationship between investment spending and inflation during the period 2004–2024, employing the latest econometric methods and models in economic analysis. This will contribute to a more accurate understanding of the nature of this relationship and the potential for utilizing its findings to inform future economic policies.

2. Research Problem, Purpose, and Importance

problem can be formulated as the following question:

How effective is it? investment spending in Reducing the problem of inflation in Iraq during the period between (2004-2024?)

a) Research hypothesis:

The research hypothesis revolved around the idea of There is a positive relationship between the size of investment spending Among the inflation rates in Iraq during the period under study.

b) Research objective:

Given the importance of spending policy in general, and its investment aspect in particular, due to its active role in achieving numerous economic and social goals, this research aims to contribute to studying and analyzing the nature of this effectiveness and clarifying its dimensions. Specifically, the research seeks to ascertain the extent to which investment spending can play a positive role in mitigating one of the most prominent imbalances facing the Iraqi economy: inflation rates. In this

context, the research seeks to analyze the relationship between these two variables by employing appropriate standard methodologies that are most compatible with the nature of the study data, within the time period specified for the research, with the aim of reaching scientific results that contribute to clarifying the extent of the effectiveness of investment spending in addressing the problem of inflation in the Iraqi economy.

c) Importance of the research:

The importance of this research stems from the significant role that investment spending can play. By using it as an influential means to reduce the problems and difficulties that the Iraqi economy may face, and then to reach the most important economic and social goals set, which naturally reflects on consolidating the process of achieving economic stability in the country, given the extreme importance and vitality of this issue in light of the structural imbalances that are plaguing the Iraqi economy.

d) Research boundaries:

1. Spatial boundaries: The spatial scope of the research is the Iraqi economy, which was adopted as a study sample to analyze the reality of investment spending and its role in influencing inflation rates within the economic environment of Iraq.
2. Time limits: The time frame of the study is limited to the period from (2004–2024), which was chosen because it reflects an important stage of the development of fiscal policy and investment spending in Iraq and the accompanying changes in inflation rates.

e) Research structure:

To achieve the research objectives, it was organized into three main axes. The first axis dealt with the theoretical foundation of the research variables, while the second axis was devoted to explaining the effectiveness of investment spending in reducing the problem of inflation from a theoretical perspective , while the third axis was devoted to the applied aspect of the research, as it included conducting econometric analysis to measure the nature of the relationship between the study variables, as well as drawing the most prominent results and indicators that contribute to answering the research problem and achieving its objectives.

3. Conceptual foundations of investment spending Inflation rate

a) Investment spending:

Investment spending is defined as "capital investment focused on physical and non-physical infrastructure, such as bridges, buildings, roads, power plants, and the education and health sectors, as well as areas related to promoting innovation, research, and development" [1]. Investment spending is of paramount importance as it represents the second largest component of income after consumption spending, holding a pivotal position by accounting for a significant portion of aggregate demand. Its importance is no less than other forms of spending, given its vital role in creating

employment and driving economic development, in addition to its active contribution to strengthening the economic structure [2]. The decision-making process regarding spending on capital goods and equipment is based on the fundamental principle of expecting returns and profits that exceed the costs associated with this type of expenditure. In this context, three key principles can be identified as the cornerstone of investment decision-making, based on a comparison between expected profits and returns on the one hand, and costs and taxes on the other, as follows:

1. Profits (Returns): Economic profits and returns increase during periods of economic recovery, which in turn leads to flourishing investment opportunities represented by increased spending allocations in this area. Conversely, the opposite occurs during periods of economic contraction due to the disruption of projects, the slowdown in the operation of production factories and machinery, and the decline and stagnation of economic activity, resulting in the loss of opportunities to obtain returns and tangible benefits. [3]
2. Costs: Financing the purchase of machinery and capital equipment by investors follows a path that goes through Two styles، as follows [4]
   - Self-financing: This is the first method that an investor may resort to. The cost of this financing is expressed as the opportunity cost, which is interpreted through the expected return resulting from the use of machinery, equipment, and machines. If that return exceeds the amount of the expected return obtained from other areas of use, then spending on purchasing that equipment and machinery is considered a worthwhile investment. The opposite occurs if the expected return is less than the size of the profits and returns expected within other areas and activities.
   - Borrowing: This is the second method, as the borrowing process takes place through banks and financial institutions, and the cost of this borrowing is generally expressed by the interest rate. Based on this, low interest rates constitute an incentive for investors to obtain the required loans and financing in order to begin the stages of investment, and thus stimulate the investment demand side in the national economy. This is because higher interest rates will lead to a decrease in investment spending. As a result of assuming an inverse relationship exists between them, the money supply also has a clear impact through the interest rate channel. If the money supply increases, this will lead to a decrease in interest rates, and consequently, the volume of investment will increase.
3. Future expectations: Expectations, both optimistic and pessimistic, influence investment decisions. Whenever expectations are pessimistic, a situation arises that portends an economic recession resulting from a decline in economic activity. This is a fundamental and sufficient reason to reduce investment spending and exercise caution, given the risky and uncertain nature of these circumstances. On the other hand, optimistic and positive expectations provide a foundation, a path, and a strong appetite for expanding investments.
4. Political stability: The stability of the political environment and its surroundings is one of the main requirements for making the appropriate investment decision , and overcoming the obstacle of the

private sector's hesitation and reluctance to invest in various fields, especially in industrial fields, especially after the consequences and results resulting from political instability in some countries produced important fundamental problems and reasons , which resulted in a clear explanation of the obstacles that led to the failure of the economic growth process [5]

5. Technological development: Technological development is of great importance to various economic and productive activities and projects that aspire to maintain and develop their competitive aspects at the local and international levels, because it establishes the maximization of profits and revenues and the reduction of costs, which makes investment opportunities present and successful, in addition to the contribution provided by modern technological methods and alternatives in the methods and tools of production available to the producer and investor [6]
6. Tax size: Measures to reduce the tax burden and tax exemptions, such as reducing the rate of income or property tax, as well as customs exemptions, as well as reducing the production tax, would lead to an increase in income levels and stimulate investments. The opposite would occur if there were tightening and an increase in the size of contributions and tax procedures, which would be reflected in production levels by reducing investment opportunities**.**

b) Inflation:

Inflation stands out as one of the most significant contemporary economic problems and phenomena that most global economies may face. Given the importance of this problem, numerous definitions have emerged, reflecting the diverse opinions and perspectives of various economic schools of thought. Some define it as "a condition that arises from an increase in the money supply, which is a fundamental and primary cause of its occurrence. This increase comes at the expense of monetary imbalance amidst a decline in the demand for money, which is reflected in an imbalance affecting the demand for goods and services, the production structure, and distribution." Income [7], as some define it, is " a continuous and permanent increase in the general price level, and this increase is often unexpected , and it is mainly caused by the excess of the volume of monetary spending over the supply of goods and services, as a result of the loss of harmony and adaptation between consumption and production, as well as investment and savings, in addition to the weakness of the structure and productive capacity of the national economy" **[8]**

Several viewpoints, ideas, and opinions have been presented by a number of economic writers regarding the most important causes of inflation. Most of these revolve around key concepts and themes, namely (the level of production, costs, and the level of monetary demand), which can be reviewed as follows:

1. Inflation arising from demand attraction:

This type of inflation occurs when the demand for goods and services increases while the aggregate supply remains constant or low. This is mainly due to optimism among business owners, which motivates them to increase the demand for factors of production, resulting in higher prices. Similarly,

when individuals receive higher incomes, they direct a large part of this increase towards consumption. Furthermore, boosting aggregate demand through expansionary monetary and fiscal policies leads to increased inflationary pressures, especially when the economy is operating at maximum productive capacity. In addition, other factors contribute to excess aggregate demand and, consequently, a rise in the general price level, including increased public spending. [9]

2. Inflation arising from a negative supply shock:

This inflation occurs as a result of increased production costs (expenses of production factors) while the actual demand remains constant. Labor is one of the most important of these factors, as the expenses or costs of using this factor are constantly increasing. In addition, there are two other causes of inflation from the supply side. The first is the high wages granted by labor unions and syndicates to their members, which is then called wage inflation. The second is the high prices adopted by employers in their monopolistic industries, which is then called profit inflation. [10]

3. Inflation arising from structural causes:

This type of inflation is generated by the regulatory and structural factors that govern economic activity, including laws and institutional procedures, the way the production structure is managed, and the production technologies used. This confirms that the phenomenon of inflation is not limited to monetary factors alone, but may also be due to deep structural imbalances. [11] Among the most prominent of these imbalances are**:**

- The lack of elasticity in commodity supply, especially in food products, is a result of the increased demand for agricultural products following migration from rural to urban areas, and the inability of the agricultural sector to respond to this rising demand**.**
- Insufficient export revenues (in foreign currency) to cover the increasing costs of imports, due to high population growth rates on the one hand, and the requirements of development plans and projects on the other**.**
- Under these circumstances, the state's resort to raising the exchange rate or devaluing the local currency does not solve the problem, but rather exacerbates it, as this results in a general rise in prices, especially due to the heavy reliance on imported inputs and raw materials in the local production process, which increases production costs and fuels the inflation spiral**.**

4. Analyzing the relationship between investment spending and the inflation rate

The relationship between investment spending and inflation rates is a complex and vital issue that concerns governments and investors when planning their spending and investment programs. This relationship is characterized by a reciprocal effect, as on the one hand, investment spending is clearly reflected in inflation rates, and on the other hand, the costs of inflation themselves affect the levels of this spending.

This latter effect is closely linked to a state of uncertainty about future price increases, which is reflected negatively and directly on the government's investment spending policy. This effect is often detrimental to government performance, and is also indirect and more damaging to the economy as a whole.

With rising inflation rates, a problem arises in predicting and achieving real returns on investments, leading to a noticeable decline in government investment activity. This decline, in turn, negatively affects the overall productive and investment performance of the national economy. [12].

5. Measuring the effectiveness of investment spending in reducing the problem of inflation In Iraq

a) Describing the model variables:

In this research, the investment spending index was adopted as an explanatory variable within the econometric model used in the analysis, while the inflation rate was chosen as the dependent variable to measure its sensitivity to changes in investment spending. The study also relied on a time series spanning the period (2004–2021), which represents the time frame for the analysis. The Iraqi economy serves as the geographical scope within which the case study is applied, with the aim of analyzing the nature of the relationship between the study variables within the Iraqi economic environment. To verify the hypothesis regarding the nature of the relationship between the research variables, this section is dedicated to measuring and demonstrating the effectiveness of investment spending, as an explanatory variable, in mitigating inflation, as the dependent variable. To achieve this, the Eviews-12 software was used to conduct the necessary econometric analysis. The study data covered the period from 2004 to 2024. Due to the short duration of the annual time series, the data were converted from annual to quarterly format using the available tools within Eviews-12. This conversion increased the number of observations and improved the efficiency of the econometric estimation.

b) Stillness tests:

Before proceeding with the analysis and estimation of the standard model, it is necessary to first verify a fundamental condition: the stationarity test of the model's time series variables. This is achieved through a number of statistical tests designed to determine the extent to which the stationarity condition is met. In this context, the Phillips-Perron (PP) test was adopted, given its importance in time series analysis and its ability to address the problems of autocorrelation and heterogeneous variance in errors.

This test aims to determine the degree of integrity of the time series, i.e., whether the variables are stationary at the original level (I (0)) or become stationary after taking the first difference (I (1)). The following table presents the results of the Phillips-Perron (PP) test for the study variables, as follows:

Table (1) Phillips - Pyron Test (PP) for research variables- Source: The researcher's work is based on the outputs of the E-Views12 program.

First difference	Level			First difference		
	fixed limit only	fixed boundary and direction	Without a fixed limit or general trend	Fixed limit only	A fixed limit and a general trend	Without a fixed limit or general trend
	Prob	Prob	Prob	Prob	Prob	Prob
I	0.2476	0.4996	0.4004	0.0011	0.0077	0.0000
inf	0.5440	0.7249	0.1507	0.0045	0.0220	0.0002

The results in the table above, which shows the outputs of the time series stationarity test for the variables of the research model, indicate that the variables were not stationary at their original level when a fixed term and a general trend were included in the test. However, when the test was performed on the first difference, all-time series became stationary, meaning they were first-order integrals (I (1)) in the various cases included in the stationarity test structure. Therefore, the fulfillment of this condition allows the use of cointegration to analyze the relationship between the study variables, based on the Autoregressive Distributed Lag (ARDL) model.

c) The ARDL Bounds Test to measure the effectiveness of investment spending in addressing inflation:

Table (2) shows the preliminary estimation results for the ARDL model, with an R-squared value of approximately 99%. This indicates that changes in investment spending explained nearly 99% of the changes in inflation rates during the study period. The remaining 1% of inflation rate changes are attributed to other factors and variables not included in the econometric model used in this research.

Table (2): Initial estimate of the model ARDL for the relationship between research variables- Source: The researcher's work is based on the outputs of the E-Views12 program.

R-squared	0.99	F-statistic	678.1595
Adjusted R-squared	0.99	Durbin-Watson	1.866338
Prob(F-statistic)	0.000000		

Durbin-Watson statistic reached a value of (1.866338), indicating the absence of autocorrelation issues in the model under study. This strengthens the reliability of the econometric estimation results. Furthermore, the Fisher F-statistic reached a significance level of (0.0000), demonstrating the overall significance of the model and its reliability in interpreting the relationship between the research variables, thus allowing for progression to subsequent stages of econometric analysis. It should also be noted that the Durbin-Watson value was greater than the R-squared value, which enhances the soundness of the standard model and indicates that it is free from the problem of spurious regression, which confirms the suitability of the model used in analyzing the relationship between the study variables. To test for a cointegration relationship (i.e., a long-term equilibrium relationship) between investment spending as an explanatory variable and the inflation rate as a dependent variable, the F-Bounds Test was used. This test involves calculating Fisher's F -value and comparing it with the critical values of the lower and upper bounds to determine the presence or absence of a long-term equilibrium relationship between the study variables, as shown in Table (3).

Table (3): Testing the boundary methodology of the studied model- Source: The researcher's work is based on the outputs of the E-Views12 program.

ARDL Bounds Test		
Test Statistics	**Value**	**K**
F-statistic	17.41775	1
Critical Value Bounds		
Significance	I0 Bound	I1 Bound
10%	3.02	3.51
5%	3.62	4.16
2.5%	4.18	4.79
1%	4.94	5.58

It is clear from the outputs of the table above that the value of Fisher's statistic The calculated F - statistic reached (17.41775), which is greater than the critical values of the lower and upper limits at significance levels of (10%, 5%, 2.5%, 1%). Therefore, the null hypothesis is rejected, and the alternative hypothesis is accepted, which states that there is a long-term equilibrium relationship (cointegrative) at a significance level of (1%) between investment spending as an explanatory variable and the inflation rate as a dependent variable in Iraq for the period (2004-2024). This proves the validity of the research hypothesis and is consistent with what economic theory suggests, which assumes a relationship between investment spending as an explanatory variable and the inflation rate as a dependent variable. This necessitates estimating the response of the estimated relationship parameters in the short and long term and testing the significance of the error correction parameter (ECM) to determine the nature and direction of this relationship, as follows**:**

1. **Estimating the relationship between the two short and long term according to the ARDL methodology:**

After verifying the existence of a cointegration relationship between the research variables, it becomes necessary to estimate the error correction model (ECM) to verify the significance of the error correction coefficient (CointEq (−1) *) as well as to estimate the responses of the model parameters in both the short and long term. This procedure contributes to determining the nature and direction of the impact of investment spending on reducing inflation rates in Iraq during the study period. Accordingly, an error correction model was estimated using the ARDL methodology. The estimation results are shown in Table (6), which presents the outputs of the ECM Regression test, as well as the results of estimating the short- and long-run relationship between the dependent variable (IN), representing the inflation rate, and the independent variable (I), which represents investment spending. These results help to clarify the dynamics of the relationship between the two variables, in addition to demonstrating the speed at which the system returns to long-run equilibrium in the event of short-term deviations.

Table (4): ECM Regression Model and Estimation The relationship between research variables- Source: The researcher's work is based on the outputs of the E-Views12 program.

ECM Regression				
Prob.	**t-Statistic**	**Std. Error**	**Coefficient**	**Variable**
0.0002	3.826835	0.155744	0.124577 -	D(IN)
0.0000	-4.227574	0.031486	-0.154244	CointEq (-1) *
Long Run Coefficients				
Prob.	**t-Statistic**	**Std. Error**	**Coefficient**	**Variable**
0.0542	0.039524 -	2.224241	7.455414 -	I
0.0000	5.432126	2.403467	13.04244	C
Emp = 13.05594 - 1.12458ex				

The table above, which shows the results of the Error Correction Model (ECM) estimation, as well as the short- and long-term relationship estimation, confirms the existence of a cointegrating relationship between investment spending as an explanatory variable and the inflation rate as a dependent variable in Iraq during the research period. This is explained by the value of the Error Correction Coefficient (Cintiq (-1) *) of this model, which reached approximately (-0.15) with a very high probability value (Prob.=0.0000). This means that two essential conditions for the value of this coefficient are met: firstly, its value is negative, and secondly, its probability value is statistically significant. The value of this coefficient also indicates that there is an automatic correction mechanism capable of correcting (15 %) of short-term imbalances within a unit of time (approximately one year) to reach long-term equilibrium. This means that inflation rates take approximately six years and five months to reach their equilibrium values, which is a relatively slow response. Represented.

Based on the results in Table (4) relating to the process of estimating the relationship parameters in the short and long term, and in order to evaluate the nature and significance of the estimated relationship and to show the extent of its agreement with what was previously presented in the theoretical and analytical aspects, we conclude that the estimated parameter for the investment spending variable (I) This indicates an inverse relationship between investment spending And inflation rates in the short and long term, as the degree of response reached The inflation rate relative to the change in investment spending was approximately (-0.124577) , indicating an inverse relationship between them in the short term at a significance level of (1%). In the long term, the response level was [missing value]. The inflation rate relative to the change in investment spending is approximately (-7.455414) at a significance level of (5%), indicating the continuation of the inverse relationship between them in the long run. This aligns with the logic of economic theory, which assumes an inverse relationship, and is relatively consistent with what was stated in the theoretical framework that showed the relationship between investment spending Inflation rates are inverse, as a result of the role that investment spending can play at the production level.

2. Diagnostic tests:

Test To determine the effectiveness of the ARDL model under investigation, it is necessary to verify, through a set of diagnostic tests, the quality of the estimated model and to ensure that it is free from the most prominent standard problems, the most important of which will be summarized as follows:

- **test between residual values (LM):**

This test is used to detect the extent to which there is a problem of serial autocorrelation between the values of the residues. According to the following**:**

Table (5): Breusch-Godfrey Serial Correlation LM- Source: The researcher's work is based on the outputs of the E-Views12 program.

F-statistic	**0.3961**	**Prob. F (2,49)**	**0.6750**
Obs*R-squared	1.0024	Prob. Chi-Square (2)	0.6058

Table (5) shows the results The Breusch -Godfrey Serial Correlation LM test demonstrates the insignificance of the probability values associated with each statistic. The calculated F - statistic and chi-squared values at the 5% level, where the calculated F - statistic value was 0.6750, while that probability amounted to for (Chi-Square) (0.6058), the null hypothesis is accepted, which states that the estimated model is free from the problem of sequential autocorrelation between the values of the residuals according to the mechanism of this test.

- **Reliability, homogeneity, and variance test the remainder (ARCH):**

This is based on a test to verify whether the estimated model is free from the problem of variance inhomogeneity. According to the following:

Table (6): Consistency, homogeneity, variance the remainder- Source: The researcher's work is based on the outputs of the E-Views12 program.

F-statistic	**1.4839**	**Prob. F (1,60)**	**0.2279**
Obs*R-squared	1.4963	Prob. Chi-Square (1)	0.2212

Table (6) shows the results The Heteroskedasticity Test (ARCH) demonstrates the insignificance of the probability values associated with each statistic. The calculated F - statistic and chi-squared values at the 5% level, where the calculated F - statistic value was 0.2279, while that probability amounted to for (Chi-Square) (0.2212), the null hypothesis is accepted, which states that the variance of the estimated model remains constant and is free from the problem of variance inhomogeneity according to the mechanism of this test.

Testing the suitability of the estimated model design according to the functional form. Ramsey (Reset)

This test is based on to ensure the suitability of the estimated model in terms of its consistency and robustness, which is explained by the harmony between its short-term and long- term parameters, according to the following:

Table (7): Ramsey (Reset)- Source: The researcher's work is based on the outputs of the E-Views12 program.

Test	**Value**	**Df**	**Probability**
t-statistic	1.21286	50	0.2309
F-statistic	1.47104	(1, 50)	0.2309

Table (7) shows the results of the (Ramsey: Reset) test, which shows that the probability value of each of the two calculated (F, T) statistics reached (0.2309), and this indicates their insignificance at the (5%) level. Accordingly, the null hypothesis is accepted, which states that the model design is suitable in terms of the functional form (double logarithmic) according to the mechanism of this test.

6. Conclusions

1. It has become clear that investment spending occupies a major position by taking up a large part of the total demand and is no less important than other aspects of spending as a result of the vital role it plays in the field of employment of the workforce, as well as driving the wheel of economic development, as well as its effective contribution to strengthening the economic structure.
2. Inflation stands out as one of the most important contemporary economic problems and phenomena that most global economies, and the Iraqi economy in particular, are exposed to.
3. Time series stationarity testing reveals the non-integration and static nature of the time series variables at their original level, with a fixed limit and direction, and while their stability was tested at the first difference, it was found that they were all integrated in all the cases included in the structure and content of this test.
4. The results of the standard model proved the existence of cointegration, and this proves the effectiveness of investment spending in reducing the problem of inflation in Iraq. This proves the validity of the research hypothesis and is consistent with what economic theory has stated, which assumes a relationship between investment spending as an explanatory variable and the inflation rate as a dependent variable.
5. The results of the diagnostic tests for the standard model, which were used to demonstrate the integrity of the ARDL model under investigation, the quality of the estimated model and its freedom from the most prominent standard problems.

7. Proposals

1. Attention to creating an investment climate Suitable and appropriate It affects the implementation and selection of investment projects by creating stability in economic and social requirements as factors that determine the form and amount of investment, and in a way that serves to confront inflationary pressures.
2. Activating the role of local resources as an important source of funding for investment projects, while not dispensing with the use of concessional and unconditional external loans and aid in financing such projects. Projects.
3. Directing investment spending towards infrastructure is a strong incentive and encouragement for economic growth, and one of the most important reasons for attracting private investment.

4. Financing investment spending would justify resorting to inflationary financing, and therefore requires intervention. Government through the Central Bank of Iraq to determine the scope of investment areas in the real sector by establishing an economic feasibility mechanism for essential and necessary projects required by the Iraqi economy.

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