



International Journal of Financial Management and Economics

P-ISSN: 2617-9210
E-ISSN: 2617-9229
IJFME 2024; 7(2): 284-293
www.theeconomicsjournal.com
Received: 07-09-2024
Accepted: 13-10-2024

Lojain Aref Ali
College of Administration and
Economics, Tikrit University,
Iraq

Ahmed Dehyaa Khaleefah
Department of Control and
Auditing, Tikrit University,
Iraq

The hidden economy and its impact on economic growth in Iraq for the period (2004-2019)

Lojain Aref Ali and Ahmed Dehyaa Khaleefah

DOI: <https://doi.org/10.33545/26179210.2024.v7.i2.374>

Abstract

The study aimed to measure the impact of the hidden economy on economic growth in Iraq for the period from (2004-2019) and those activities that generate all income that are not recorded in the national income accounts either to evade legal obligations or that these activities are fundamentally illegal. what is known as all illegal activities as well as income in its various forms obtained through the production of various goods and services that are not reported, whether these transactions are cash or carried out through a barter system, which are subject to tax in the event of reporting them, that phenomenon economy the hidden present in all Countries the world advanced and developing but in degrees varying and be in Countries developing more from it in countries advanced where arrive in countries developing to about 45% from total output National, but in countries advanced no arrive but to 14% from output Local total. One of the most important recommendations is to take procedures from its business Narrowing range economy the hidden and prevent its breadth. Facilitate get on Licenses and simplify procedures finance and commercial and work on use better devices electronic.

Keywords: Hidden economy, economic growth

Introduction

Economy the hidden he all Activities that it is done Practice it outside framework official For the state and it is considered economy The hidden from axes modern relatively that Raised recently and that it differed Naming it, Lost formed direction important in many from Studies current that you do with it some organizations global as an organization cooperation economic and the bank International For construction and construction and also fund criticism International and organized the job International, where he did the last in Search on reasons spread this is amazing the plague and degree its danger and how to Process it, there is almost deal on that economy the hidden Share in it all countries the world, and it is heading all countries to monitor the economic activities of their individuals to have every activity under their watch, but reality has proven difficult, especially in developing countries, as the spread of the hidden economy has increased significantly in these countries, which calls for addressing the danger of this economy. the Iraqi economy has experienced patterns of the hidden economy throughout its development stages, but what is striking is its rampant growth and its profound effects on the structure of economic policies, economic resources and the overall economy due to the transitional phase that the Iraqi economy went through and the major failures that accompanied it, as the areas of the hidden economy began to expand in light of the appropriate environment, especially after Iraq moved towards a free economy and applied market mechanisms in economic transactions and opened borders to all goods and without any significant oversight, especially in the first years after 2003. All of these matters led to the emergence of an undeclared hidden economy that practices its activities in a hidden manner, far from the government's sight and far from any obligations that determine or restrict such economic transactions. One of the goals of this study is to raise interest in this dangerous crisis and its size, dimensions and economic repercussions. and economy the hidden he is for him consequences dangerous to influence in Login the truth For individuals and programs Spending government and reduce revenue tax the purpose from This is amazing Search he doing by analysis role economy the hidden in Growth economic in context Iraq, from okay complete to provide information more accuracy for the

Corresponding Author:
Lojain Aref Ali
College of Administration and
Economics, Tikrit University,
Iraq

authors Policies For the purpose to understand and reduce size economy the hidden.

The first requirement

Research methodology

First: The research problem: on although from all attempts systems Politics Successive on find Rates growth economic acceptable and proportionate with size revenue but it is facing handicaps Standing barrier without investigation this the goal and from it activities not legitimate which you get outside framework official without deterrent or deterrent Like corruption and drugs and washing Money and the installation and fraud and others which became form rate big from output National total.

Second: importance Search: Emerge importance Search in clarification economy the hidden in economy Iraqi, when bitter to from transformations Political and economic and social gesticulate its owner from development enormous in various areas and openness via border and move on to economics the market, and spread corruption Financial and the administrative gesticulate achieve beneficiaries from Profits, and study economy and specify its size and his role by following Roads that contributes in situation Policies and strategies contribute in transformation activities this economy to activities official.

Third: Research objectives

1. Study foundations theory for economy hidden and economic growth and analysis ways appreciation economy hidden and his activities and its effects in growth economist.
2. Attempt appreciation and calculation size economy the hidden in Iraq using The method style ratio Fixed For money Please on statement effect economy The hidden on variables economic and it is middle share individual from income national imports and average unemployment and size.

Four: Research hypothesis

Take off search from hypothesis meaning do that Growth economic in Iraq affected negatively and positively with changes that you get activities legitimate for economy the hidden as a variable and his activities not legitimate includes, laundry money, evasion tax, demand not natural on money corruption gesticulate rate that The effects in The two terms Short and the tall one in Country.

Five: The temporal and spatial limits of the research

1. **Time limits:** The study covered a period of time of (15) One year for the period (2004-2019).
2. **Spatial boundaries:** The study included the case of Iraq.

Six: Research structure

The research was formulated in three sections. In the first section, we discussed the theoretical framework of the hidden economy. In the second section, we discussed the theoretical framework of economic growth. In the third section, we discussed. Analysis effect economy the hidden on growth economic we concluded the research with a set of

conclusions and recommendations.

The tow topic

Theoretical framework of the hidden economy

First: The concept of the hidden economy

Writers differed in giving a name to the hidden economy according to the activities that fall under this economy. Some called it the hidden economy or the side economy, the black economy, the informal economy, the submerged economy, the submerged economy, the marginal economy or the counter economy, but in terms of content, they do not differ much in defining it in essence.

Where defined it as those activities that generate all incomes that are not recorded in the national product accounts either to evade legal obligations or because these activities are fundamentally in violation of the law (Ahmed, 2013: 150)^[2]. It is known as all illegal activities in addition to incomes in their various forms obtained through the production of various goods and services that are not reported, whether these transactions are cash or carried out through a barter system, which are subject to tax in the event of reporting them. There are also many classifications of the hidden economy, which are divided into legal or illegal, based on cash or non-cash. This difference in giving a specific concept is attributed to the continuous development of this economy in relation to the tax system as well as the regulations and according to the objective of the study. That is, the hidden economy represents unofficial production in an unofficial manner and is not disclosed Bureau International From the above, researchers have summarized the concept of the hidden economy as a comprehensive concept, which is represented by all incomes generated from legitimate or illegitimate activities, which individuals and institutions obtain on a cash or non-cash basis, and which are not officially registered in the national product, which negatively affects the country's economy as well as the sources of financing the general budget, since these activities, if registered, achieve an increase in sources of financing through imposing taxes on them. it has also expanded for several reasons, the most prominent of which is the increase in unemployment rates with the increase in taxes imposed on officially registered activities in the national product, in addition to administrative and financial corruption.

Second: Reasons for the growth of the hidden economy

1. The state plays a major role in the growth of this economy due to its inability to meet all the needs of society, especially in the field of employment, given the increasing growth of society.
2. Globalization and its impact on the quality of activities practiced, in addition to the quality of economic transactions, especially in the areas of exchange and investments, and the extent of the ability of institutions to withstand this globalization. Find that there are institutions that, in order to compete internationally, resort to searching for cheap labor from developing countries, and then employ them in illegal ways and exploit them to the maximum extent possible.
3. The inability of low-wage earners working in the formal sector to meet their needs, which forces them to resort to working in the informal sector in order to obtain additional wages.
4. Increasing demographic growth.

5. The inability of the state to force all individuals to respect its laws.
6. The state's decline in performing its duties, the spread of bureaucracy and bribery, in addition to the lack of strict application of laws, etc., all of this encourages individuals to enter this type of sector. (Economic and Social Council, 2004: 9).
7. Women's education has in turn contributed to increasing unemployment and, consequently, the growth of the informal economy, as they are now taking up positions that were previously the exclusive domain of men.
8. The development of the tourism sector and traditional crafts has led to the emergence of new advanced activities.
9. Structure of economic growth: in some countries, economic growth is very weak, or there is growth but it is not accompanied by the creation of new jobs. This creates an imbalance in the possibility of employing the unemployed, which forces them to resort to work in the informal sector in order to meet their needs.
10. We can also mention the most important factors that stimulate the growth of informal activities:
 1. **Taxes:** The higher the tax rates, the more individuals see them as a burden, which encourages evasion.
 2. **Regulations:** A regulated economy creates internal pressures and encourages attempts to circumvent these regulations, thus creating various activities that cannot be monitored. the regulations also include laws related to the goods market, price controls, the obligation to sell to the government or marketing agencies, import quotas and export bans, etc. all of these laws push the producer and consumer to escape them and use hidden and parallel markets these regulations also include laws that regulate foreign exchange markets, which are linked to exchange rates, which helps the parallel currency market to grow, such as exaggerating import invoices, which allows the importer to obtain some hard currency at the official price, leaving part of it abroad, or selling it on the black market.
 3. **Ban:** It means that the law prohibits the practice of some activities, which prompts individuals to practice them secretly. examples of these activities include: drug trafficking, illegal gambling, what is noticeable about such activities is that they generate large returns for their owners, but at the same time they have major negative effects on the economy
 4. **Bureaucratic corruption:** Some public officials use their power to obtain private gains. This process is called bribery.

Third: Effects of the hidden economy

The effects of the underground economy appear at the following levels

1. **At the level of taxes and budget balance:** hidden activities evade all types of taxes, which negatively affects the state budget. A country in which the formal economy is more developed than the informal economy has a stable general budget, through which the state can ensure the liquidity of economic activities in the formal sectors, which naturally leads to the development of this economy.
2. **On the economic level:** Among the most important

effects of the informal economy on the economic level is the encouragement of the development of the parallel market and thus the growth of the use of the informal money supply. This negatively affects the banking system, as it weakens the mechanism of the ability to grant loans to the formal economy, which negatively affects the economy as a whole, In addition, the increase in the size of the informal economy leads to an increase in the expenditures of the size of public spending and thus an increase in budgets, which will lead to economic pressures that negatively affect workers in the formal sector. This economy also negatively affects the industrial and commercial sector, through its ability to provide goods at prices lower than the prices of goods in the formal sector, which encourages the growth of the phenomenon of counterfeiting and imitation. This economy also leads to the inaccuracy of data and information (inflation rate, unemployment rate, money supply, etc.) which are necessary for preparing annual plans.

3. On the social level: Despite the positive effects of the informal economy on the social level, especially with regard to creating jobs for individuals who did not find work in the formal economy, the latter shows negative effects, especially in the absence of social protection, and the resulting social risks such as diseases, theft, etc. in addition, this economy creates inequality between its workers and workers in the formal economy. its effects are evident in the distribution of the tax burden, as owners of the formal sector are forced to pay taxes while owners of the informal sector evade this, which results in an increase in the incomes of owners of the formal sector and a decrease in the incomes of owners of the informal sector, despite the fact that both sectors benefit from state services in free education, free health, etc.). This economy also leads to the exploitation of children and women by working in an environment where there are no basic rights and labor laws. it has a negative impact on the desire to continue education, as most workers in the informal economy are characterized by their low educational level, as young people are usually attracted to work in this economy in the middle of their educational path (primary and secondary levels, and in most cases primary levels), either because of the deterioration of their families' standard of living, or in order to search for quick profit in the shortest possible time, which leads to the spread of illiteracy and ignorance.

4. Policy setting: The effects of the informal economy are clearly evident on economic policy, as the growth of the latter leads to difficulty in correctly estimating the size of the variables of importance to the policy maker, because it is difficult to measure, and this has negative effects on correctly estimating the growth rate, which leads to the development of policies based on this rate that appear to be clear, but in reality may be the opposite. The distortion of the official unemployment rate plays a negative role in government policies, because if workers in the informal sector are included in the category of non-employees, this will push governments to follow expansionary policies, which will lead to an increase in their own costs in this area, while the reality is the opposite.

The same applies to the distortion of the inflation rate. For example, if the informal economy is linked to black markets for goods and there is a scarcity of goods in the official market, this will help increase their prices in the black

market economy. In this case, the official price index is much better than the real price indexes.

Four: Forms of the underground economy

The forms and components of the hidden economy vary from one country to another due to the different reality of the economies of countries and their different systems. Despite its increasing spread and its coverage of all areas of productive, service and commercial activities, the difficulty of defining its concept has made it a complex phenomenon that includes many different and intertwined aspects that require a great degree of understanding and analysis (Bassam, 107, 2013) ^[7]. It includes illegal activities and legitimate activities that are not officially registered and are not included in the calculations of the gross domestic product. Therefore, multiple expressions have been given to this economy. It has been called the hidden economy, the informal economy, the underground economy, the black economy, the invisible economy, the counter economy, the back door economy, the submerged economy, and others. Economists have not agreed on a single or confusing name for it, but rather they see it as an economy that does not recognize the legislation issued by the state, and includes a different group of activities that violate regulations and generate income through illegal means. The following is an explanation of the most prominent activities of the hidden economy:

First: Commercial cover-up: Commercial cover-up is considered one of the most prominent forms and components of the hidden economy, and one of the prohibited commercial phenomena in the Kingdom of Saudi Arabia that is punishable, due to its great impact in thwarting economic stability policies, distorting the indicators necessary for setting various economic policies, the most important of which are price indices, unemployment rates, and economic growth rates, weakening economic efficiency, disrupting the distribution of resources, unfair competition for citizens, and increasing cases of commercial fraud. Commercial cover-up with its hidden activities contributes to the increase in the number of expatriate workers, and the illegal crowding out of citizens in their work, and causes negative effects that cost the national economy huge fortunes, especially in the small and medium enterprises sector, where cover-up hotbeds abound, as this phenomenon grows in conjunction with the expansion of economic, commercial and service activity, and the expansion of the urban scope of cities and villages in various regions, and it is one of the most dangerous practices when it spreads, as it leads to a decrease in economic growth rates, and a decline in economic development levels, which undermines all development plan targets, and weakens the economic performance and public revenues of the state, as a result of tax evasion and non-payment of fees, and the flight of funds abroad.

Second: Money laundering

Money laundering is one of the most diverse activities of the underground economy, and it is difficult to estimate the amount of money laundered annually in various countries of the world. Given the great and multiple risks posed by this crime that threaten political, economic, social and moral security at the international level in general, and the national level in particular, most countries have become aware of

this and have issued a number of international agreements, treaties and domestic laws to combat money laundering in all areas the term money laundering refers to a group of intertwined financial and material operations that conceal the reality of funds obtained from an illegal source, by exporting them or depositing them in banks in other countries, or transferring their deposit, employing them, or investing them in legitimate activities, in order to escape seizure and confiscation, and presenting them as funds obtained from legitimate sources, and giving them the appearance of legitimacy, and then converting them to appear as legal investments, and using them in legitimate activities within the country using fraudulent means and circumvention.

Third: Tax evasion: Taxes represent one of the most important financial resources and a source of supplying the state's general budget. Contribute effectively to supplying the treasury with cash liquidity. They are an important tool for achieving economic balances, raising the level of income, and addressing monetary inflation. Reducing income disparity, financing vital programs, providing social services, and covering the deficit in the balance of payments. The state's financial policy has come to rely on tax revenue as a strong pillar in economic policy to adapt to international changes. Accordingly, its collection is of great importance as one of the most important means of enhancing development opportunities and covering the state's economic burdens. Despite the important role that taxes play in the economies of all countries, and the efforts made by legislators towards them, the taxpayer considers them to be a restriction on his economic movement, and leads to a reduction in his private revenues, which made him think of various means to avoid the tax burden completely or partially from the scope of the tax feud imposed on him, without considering the negative effects caused by this behavior, and from here the phenomenon of tax evasion (arose.hidden,2000:5) Tax evasion is considered one of the activities that fall under the umbrella of the hidden economy, as evasion is responsible for the emergence and growth of the hidden economy in many developed and developing countries alike. The incentive for individuals and companies to shift towards the hidden economy increases whenever economic activities in the formal economy are subject to the imposition of more taxes from time to time.

Four: Trade in prohibited and forbidden things: Trade in prohibited and forbidden items constitutes one of the major components of the underground economy, due to its penetration into all areas of economic and financial activities. Despite the legal and religious prohibition on it, the money generated from these activities is considered a major source of illegal income the trade in prohibited and forbidden substances varies and takes many forms. The most prominent of these is the drug trade, which is based on extremely complex networks. Drug crime is the typical image of organized crime. It is a crime characterized by a great deal of organization, violence and terrorism. Drug trafficking is considered one of the most dangerous components of prohibited and forbidden activities. It has recently become a widespread and influential phenomenon. Despite the diversity of means of combating it, reports issued by the competent authorities confirm the widespread

spread of drug trafficking. The issue of drug trafficking for the purpose of achieving material profits has gone beyond association with terrorist organizations to finance their operations and implement their agendas. The security authorities in the Kingdom have thwarted many attempts to promote and smuggle drugs. Statistics issued by the Ministry of Interior have shown large numbers revealing the huge quantities of drugs whose smuggling has been thwarted. Some studies also confirm that the largest sources of prohibited and forbidden money in the Kingdom are the result of drug trafficking.

The third topic

Theoretical framework of economic growth

First: the concept of economic growth

Economic growth is defined as an increase in the gross domestic product or gross national income, which achieves an increase in the average share of real income per capita. According to this definition, the concept of economic growth is the same as the concept of economic welfare. Michel toward defined growth as the increase in a country's ability to offer a diverse mix of economic goods to its population, and this growing increase in productive capacity is based on technological progress and institutional and ideological modifications. Through the definition of it becomes clear that growth aims to achieve an increase in the standard of living of the members of society, by increasing the productive capacity by introducing technology into the production process in order to increase the size of the gross domestic product, which is reflected in an increase in the per capita share of the gross domestic product. Refers to economic growth as a continuous increase in the real per capita share of the domestic product over time. The per capita share is the sum of the gross domestic product over the population, meaning that it refers to the per capita share of the domestic product of the society. The average per capita share of the gross domestic product is considered the most widely used and most reliable standard when measuring the level of economic progress of any country.

A comprehensive definition of economic growth can be given:

It is the increase in the total gross domestic product of goods and services, which the residents of a society desire during a certain period of time, which achieves an increase in the average share of real income per capita". Economic growth is generally considered to be orderly and stable in developed countries; no sharp changes in values and institutions are necessary. Growth is, in fact, more or less self-reinforcing if employment is at or near full employment. This is not true in less developed countries. For per capita income to increase in such countries, values must change and new institutions must replace old ones. Of course, in practice the distinction between economic growth and economic development is not as clear-cut as it is here. Nevertheless, the distinction is useful, as developed countries grow more easily than less developed countries. (Abdjman, 1999, 445-456) ^[12].

Secondly, types of economic growth

Types of economic growth can be divided into the following types:

Auto-growth: It arises spontaneously from the intrinsic powers that the national economy possesses as a result of its

enjoyment of the existence of strong economic institutions.

Transient growth

Which does not have the characteristic of continuity and is the result of the emergence of a certain factor or factors, and growth disappears with their disappearance.

Planned growth

It is the result of a comprehensive planning process that includes resources and community requirements. The success of this model depends on the capabilities and abilities of planners, the realism of the plans drawn up, the effectiveness of implementation, follow-up, and participation by the masses in the planning process at all levels.

Third: Measuring economic growth

Economic growth is a clear indicator of the reality of economic performance, and through it the relationship between the inputs and outputs in the economy is clarified. From this logic lies the importance of measuring economic growth, which differs between many countries for many reasons related to the availability of data and statistics, as well as how to build indicators and the basis adopted for that the estimation of economic growth is basically a reflection of the estimates of the size of the output in the economy, given that economic growth is the annual relative change in the size of the output, and thus three methods emerge to estimate the size of the output that are due to the equality of the size of the output with the size of income and the size of spending:

First: Value added method

Added value is defined as: "the increase in the output resulting from the use of certain goods in the production process. As for the calculation, added value is estimated as follows (Alwani, 2016, 56-57) ^[14]: Value added of a product = Value of final product - Value of intermediate products whereas final products: are products intended for final consumption. Intermediate products: These are products consumed when used in the production process. The value added method is considered one of the most significant and expressive methods of the volume of output obtained from the production process, as it avoids the problem of repeating the values of some products in calculating the value of the gross domestic product, as according to this method it is gross domestic Product = Sum of value added in all sectors of the domestic economy that is, the gross domestic product is the total value added of all goods and services in the local economy, and not the total final values of goods and services in the local economy, because that leads to repeating the values of intermediate products in calculating the gross domestic product twice: once as a final value, and once as an intermediate value in another final good, and for this reason the value added method came to avoid the problem of double values in calculating the gross domestic product.

Second: Income method

The gross domestic product measures the total income obtained in the local economy, as the latter is the total income of the factors of production working in the local economy, and thus we conclude that (Alwani, 2016, 57-58) ^[14].

Gross Domestic Product = National Income where:

Gross domestic product: it is estimated at the cost of factors of production. National income: total wages + total interest + total rents therefore, the amount of national income consisting of the total returns of production factors is necessarily equal to the national product, which is calculated as the sum of the added values generated in the various production institutions and activities. To obtain an estimate of the total national product at market price, we find:
GDP at market price = GDP at factor cost + indirect taxes + Consumption value.

Third: The method of spending

Total spending is necessarily equal to total income in the local economy, and the explanation for this applies on the basis that any spending process, i.e. the purchase of certain goods or services by a certain party, necessarily generates income for another party, which is the seller, where this spending is the same as the income, and since spending is equal to income, and income is equal to the gross domestic product, then (Alwani, 59, 2016) ^[14]:

GDP = Total Expenditure.

As for the total expenditure: (Alwani, 61, 2016) ^[14]

$$Y = C + I + G + (X - MI)$$

Where:

Y: Represents national income.

I: Represents household sector spending (consumption).

C: Business spending represents private investment.

G: Government sector spending.

(XM): Represents external sector spending.

Fourth: Factors determining economic growth:

A study of the literature on economic growth and the theories that explain it shows us that there are several factors that play an important role in determining economic growth. As agreed upon, the production process requires, as inputs, the factors of production, labor and capital. any country can increase the outputs of the production process by increasing the resources used, or by improving the productivity of these resources, which can be achieved as a result of improving the quality of work through education or training, or as a result of using modern machines and technology, or better administrative systems, or more flexible and effective government policies. The factors of economic growth can be summarized in the following elements:

1. Physical capital

Capital represents a set of installations, equipment, infrastructure and various produced goods, which an economy owns in a certain period and are directed to be used in the production process. Capital accumulation occurs by allocating a portion of income (outputs of the production process) as savings in order to compensate for the capital owned in the production process, in addition to investing in new capital (Algion & Howit, 2000:195) ^[24].

2. Human capital

It is the knowledge stock, capabilities, talents and skills that individuals have, through the education and training they have received, which contribute to the production process

and are among its basic requirements many economists have spoken about the need to integrate an additional important factor, which is human capital, especially after it became clear that the latter plays an important role in creating internal economic growth. During the last two decades, great efforts have been made in developing countries to raise the level of education. Today, these countries are witnessing a noticeable improvement in this area, as reflected by the increase in the number of those enrolled in schools, universities and graduates from them. These efforts cover special needs and are considered an effective investment that will contribute to raising productivity (Algion & Howit, 2000, p.195) ^[24].

Second: Technical progress rate

This factor is considered one of the most important factors that contribute to determining economic growth. it means the change in the scientific status as a result of scientific inventions and discoveries, which can be applied economically, i.e. they can be used in large-scale production at a reasonable cost that matches the prevailing price level or purchasing power in society. Introducing new technical methods into the production process helps economic growth better than increasing capital. New technology means many things, such as new inventions, new technical methods of production, improvement in organization and management, and introducing improvements in training and qualification systems. the previous factors are not considered the only ones that influence economic growth, but rather they are considered the direct factors in determining the growth process, but they are not its final causes because these factors are related to other factors such as the social and political reality that play an important role in determining the speed of economic growth. For example, there is a connection between the legal system of a society and the technical level of that society.

Third: Quantity and quality of natural resources

The production of a particular economy as well as its economic growth depend on the quantity and quality of its natural resources such as the degree of soil fertility, the abundance of minerals, water, forests, etc. (Erekat, 1993, 69) ^[18]. Man exploits natural resources to achieve the economic and social goals and objectives of society. The quantity and quality of a country's natural resources are not necessarily constant. Society may discover or develop new natural resources that will lead to increased economic growth in the future, and shift part of the available economic resources (capital, labor, etc.) towards research areas. This means that part of consumer goods must be sacrificed in the short term to enable the economy to reach higher production capacities in the future.

Four: Quantity and quality of human resources

The economic growth rate can be measured by the real per capita income method as follows:

$$\text{Real income} = \text{Real GDP}$$

Population

The greater the rate of increase in the real gross national product than the rate of increase in the population, the greater the increase in the rate of real income, and thus a greater increase in the rate of economic growth will be

achieved. However, if the real gross national product doubles and the population doubles as well, this means that the real individual income will not change. The increase in population leads to an increase in the size of the labor force, i.e. an increase in the number of people able and willing to work. Labor productivity also affects the rate of economic growth, as it is usually used as an indicator to measure the efficiency in allocating economic resources or to measure the ability of a particular economy to convert economic resources into goods and services. The main factors determining labor productivity are:

- The amount of time spent working, i.e. the average number of hours worked per week.
- Education rate, health level, and technical skills; - Quantity and quality of modern machinery used in production and available primary resources. -Degree of organization, management and human relations at work. The real per capita income rate grows at a lower rate than the per capita production capacity growth rate, and this is due to the fact that individuals tend to work fewer hours no matter how their standard of living improves, i.e. the higher the standard of living of individuals, the smaller the size of the effective labor force in the labor market, due to the increased demand for education, the reduction of working days, the increased desire to enjoy vacations, as well as the size of the ineffective population; since a large percentage of individuals prefer to leave work at a relatively early age, the retirement age, and the increased life expectancy rate, which is about (85-70) years in developed countries compared to about (45-70) years in developing countries.

Five: Specialization and large-scale production

Adam Smith is considered one of the first economists to highlight the importance of specialization or division of labor in his famous book the wealth of Nations, published in 1776. He explained that the improvement in productive forces and the skill of the worker is attributed to the division of labor. Smith confirmed that the division of labor is determined by the size of the market. if the size of the market is small, as is the case in most developing countries, the division of labor will be smaller and thus the size of production operations will decrease.

Sixth: Natural factors

Economic growth requires the provision of a set of encouraging factors: political, social, cultural, and economic. The presence of political stability and a developed banking sector are considered requirements for economic growth, which supports economic progress.

The third topic

Analysis effect Economy The hidden on Economic growth: Economy The hidden existing in all Levels economic and touches variables economic College, and on although from description as a phenomenon no maybe overlook being really Standing and continuing we will discuss in this The topic impact economy the hidden on middle share individual and unemployment and on imports.

First: size Economy The hidden

Come back to rise rates economy the hidden after general

2004 to Changes structuralism and the structure that saw it economy Iraqi, and when induction Data Table (1) it becomes clear to rise an average economy The hidden general 2004 result Circumstances Security that saw it Iraq which help in breadth activity economy the hidden and high his rates until receipt to (52499) one billion Dinar, then decreased general 2005 to (24,329) one billion Dinar a result formation the government Iraqi temporary and replay some Services and replay formation army and the police and it continues this decrease until general 2006 to reach to (17,468) one billion Dinar, but failure services and the emergence groups terrorist you to rise Rates economy the hidden to record (63,413) one billion Dinar general 2008, and then he returns economy The hidden height, general 2010 and 2012 and 2013 beneficiary from to improve the situation Security and high Prices oil raw and it continues This is amazing fluctuations in rates economy the hidden between height and the decline a result conditions many the most important the situation Security and fluctuate Prices Oil until general 2019 to record an average (486610) one billion Dinar, here he should that we point out to that low an average economy the hidden in some years he a result low Prices Oil raw and low revenue budget general performed to low Share this is amazing economy that he takes it away from the money the year on road Corruption by action Short The agreement on Services basic this indicates that economy the hidden not The project huh? The prevailing in reality Iraqi

Table 1: Oil economy in Iraq for the period (2004–2019)

السنة	الاقتصاد النفطي (مليار دولار)	معدل النمو (%)
2004	52,499	-
2005	24,329	-5%
2006	17,468	-2%
2007	63,413	4%
2008	186,553	20%
2009	97,702	-58%
2010	733,017	50%
2011	949,837	30%
2012	397,662	-58%
2013	609,190	22%
2014	259,151	-57%
2015	157,834	100%
2016	494,550	22%
2017	494,550	-3%
2018	478,643	-3%
2019	486,610	0.16%

Source/from numbers Researcher

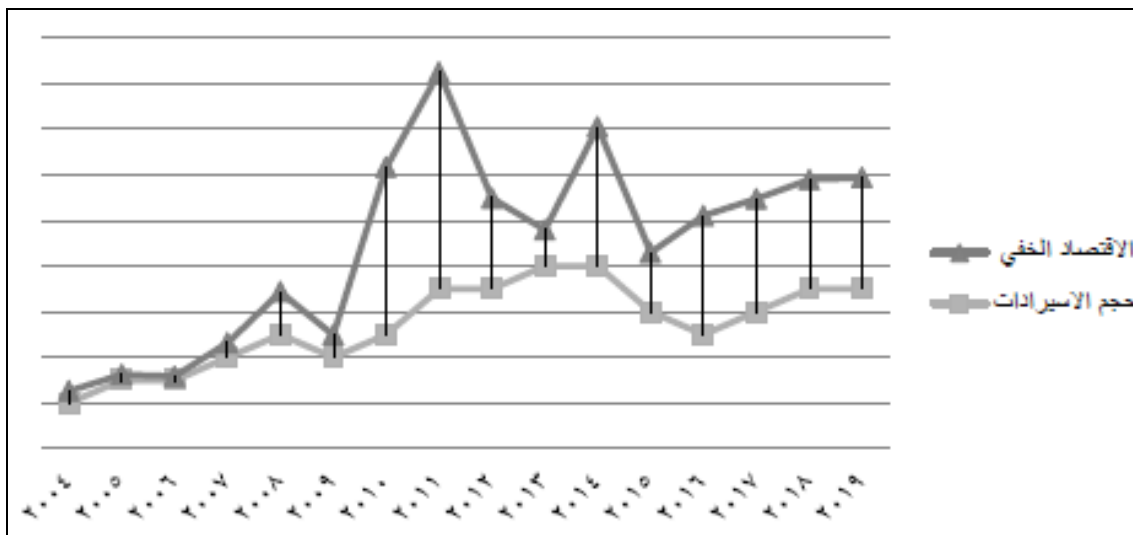
It was completed Extract an average Growth Annual from before researcher by dependence on Data Table (1).

Second: Economy The hidden and middle share Individual

Relationship between economy the hidden and average share individual relationship Reciprocity he is affected First and it affects in it, usually what pays low share individual from output national total individuals to attempt compensation that by practicing Business not official in economy The hidden usually what it is done expenditure This is amazing Login in economy official, it is considered to rise share individual from output in hidden non availability opportunities a job And low wages index on presence economy The hidden and expansion his activity.

Table 2: The hidden economy and the average per capita income in Iraq for the period (2004-2019)

السنة	الاقتصاد الخفي (مليار دولار)	متوسط نصيب الفرد (ألف دينار)
2004	52,499	2
2005	24,329	300%
2006	17,468	300%
2007	63,413	300%
2008	186,553	500%
2009	97,702	700%
2010	733,017	800%
2011	949,837	700%
2012	397,662	700%
2013	609,190	700%
2014	259,151	700%
2015	157,834	600%
2016	494,550	600%
2017	494,550	600%
2018	478,643	600%
2019	486,610	700.00%



The chart was prepared by the researcher based on the data from the tables.

Fig 1: The relationship between the hidden economy and the average per capita income in Iraq for the period (2004-2019)

it becomes clear from table (2) and the plan (1) presence relationship impact mutual between economy the hidden and average share individual van low economy the hidden Leads to rise middle installation Individual and that low middle share individual Leads to rise economy the hidden when he was size the hidden general 2004 (52499) one billion Dinar he was middle share Individual (2) million Dinar, while led low economy The hidden to (24329) one billion Dinar general 2005 led to rise middle share individual from output Local total and it continues low economy The hidden For the year 2007, while led to rise economy the hidden general 2006 to rise middle share individual to (2) million Dinar and continue to rise economy the hidden general 2008 led to rise middle share individual to (5) million Dinar valley low economy the hidden general 2009 to low middle share Individual to (4) million Dinar while led to rise economy The hidden general 2010 led to rise middle share individual to 5million Dinar and high economy the hidden accompanied by to rise in middle share individual until general 2015, van low economy the hidden a result deterioration circumstances Security led to low middle share individual while to rise economy The hidden general 2016 my too low middle share individual to 5million Dinar in when led low economy The hidden For the common people 2017, 2018, 2019 to rise middle share

individual to reach to 7million Dinar.

Third: Economy The hidden and size Imports

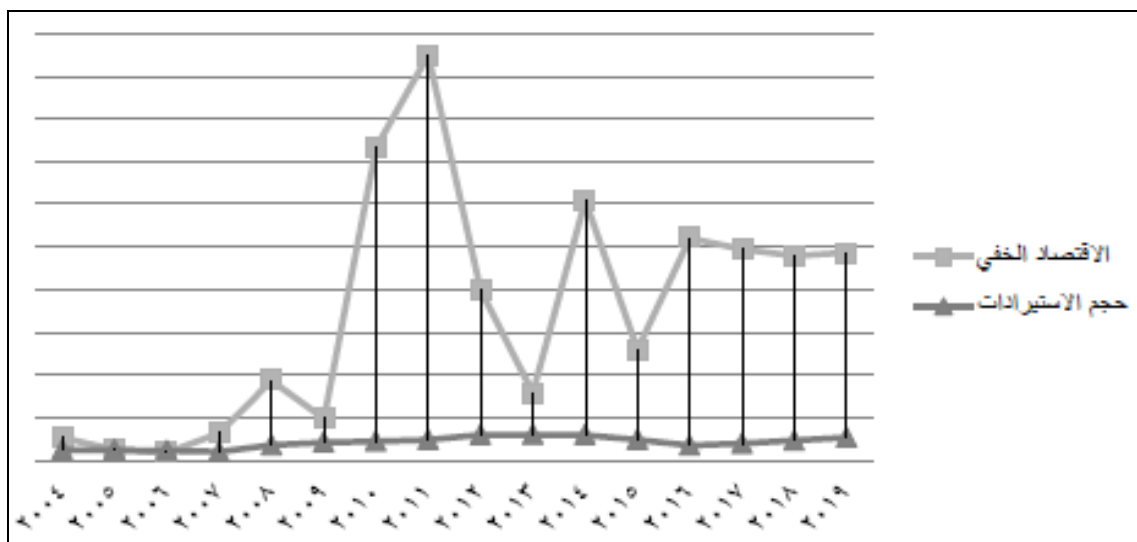
all nation whatever he was its development economic must she has from exchanges external with countries other for not possibility investigation sufficiency self from goods and services, so must from that be For imports effect in activity economic (Kazem, 2017, 491) jealous to rise imports on exports is born inability in Libra Commercial and it is balance Payments Medina (Thank you, 2016, 171), it becomes clear from Table (3) and the plan (2) presence impact For the economy the hidden on imports For years 2004-2005- 2006 van low rates economy the hidden led to low size imports, when he was economy The hidden from (52,499) one billion Dinar general 2004 he was size imports (24,624) one billion Dinar while led low economy the hidden general 2005 to (24,329) one billion Dinar led to low Imports to (23,532)one billion Dinar And also The case with regards For the year 2006 van continuation economy the hidden down led to continuation low Imports, while general 2007 rose economy the hidden and it continued imports down, but general 2008 when rose economy The hidden to 186,553 one billion Dinar rose Imports to (35,012) one billion dinar, while rose imports general 2010 to (43,915) one billion Dinar accompanied by to rise Economy The

hidden to (733,017) one billion Dinar, and also the solution with regards For the year 2011 led to rise economy The hidden to (949,837) to rise size imports to (47,803), in when low economy the hidden For two years 2012-2013 did not reflected on size imports but rather continue by height to reach (59,349) but general b 2014 b Lost register to rise by economy the hidden and low size imports while register The year 2015 low economy The hidden and size imports while years 2016 and 2017 and 2018 he was an average growth

economy The hidden reverse growth economy The hidden van to rise economy The hidden accompanied by Lowering Size Imports and vice versa correct and Continue This is amazing the condition until general 2019 when become economy The hidden 486,610 rose imports 52706 and during that it becomes clear without presence relationship between economy the hidden and size imports but rather there Factors affect on size imports from outside in Iraq.

Table 3: Iraq Hidden Economy and Exports Data (2004-2019)

Year	Hidden Economy (Billion Dinar)	Exports (Billion Dinar)
2004	52499	24624
2005	52439	23532
2006	51786	22103
2007	63413	19556
2008	91389	13746
2009	97702	12442
2010	100765	18556
2011	98123	47309
2012	86754	41956
2013	63921	43409
2014	51808	50873
2015	47965	55949
2016	478643	54408
2017	476643	51520
2018	478643	52044
2019	486610	52736



The chart was prepared by the researcher based on the data from the tables

Fig 2: The relationship between the hidden economy and the volume of imports

Conclusions

1. That phenomenon economy the hidden present in all Countries the world advanced and developing but in degrees varying and be in Countries developing more From it in Countries advanced where arrive in Countries developing to about 45% from total output national, but in Countries advanced Arrive but to 14% from output Local Total.
2. Most transactions economy the hidden it is done in cash therefore then more activity economy the hidden will lead to more demand on money.
3. Come back growth economy the hidden to group tangled from Factors Politics and economic and social.
4. Economy The hidden it is considered appearance from manifestations backward communities from the side Social and moral.
5. Economy the hidden leads to increase an average evasion tax from to push Taxes and fees and fines where Check out the government revenue Big effect negatively on her budget General.
6. Helps economy the hidden on solution crisis unemployment and more rates operation because no needs to approvals official and to level scientific specific and Amar Certain.
7. Helps economy the hidden on discount Import from outside Therefore cut disability in balance payments for the state.
8. Helps economy the hidden on mitigation burdens Social for many from Layers the society that apply system Sufficiency Self.

Recommendations

1. Take procedures from its business narrowing range economy the hidden and prevent its breadth.
2. Facilitate get on Licenses and simplify procedures Finance and commercial and work on use better devices electronic.
3. Formulate laws minute and a court and clear to prevent evasion tax and reduce rates tax and mitigation on Shoulder the taxpayers with it.
4. Presentation support complete for devices supervision especially divan censorship Finance.
5. Situation Strategies and policies economic thoughtful support economy Free and allow by practicing the job private flexibly.
6. Development Sector the banker to submit Services Enable Friends Projects and investors from practice their activity free.

References

1. Horse N, Abbas Naji, Ismael K. Analysis of the relationship between the level of integrity and the hidden economy in Upper Egypt. *Kirkuk University Journal of Administrative and Economic Sciences*. c2012;2(1).
2. Ahmed G. Analysis of the relationship between political stability and the hidden economy in a selected sample of countries. *Tikrit University Journal of Administrative and Economic Sciences*. c2013;10(30).
3. Al-Qurashi H, Belhawi H. The hidden economy and its repercussions on the Iraqi economy. *Kut University Journal of Economic and Administrative Sciences*. c2012;1(3).
4. Pasture MI. The hidden economy in Palestine. Master's thesis. Deanship of Graduate Studies, University of Jerusalem; c2017.
5. National Economic and Social Council. Report on the informal sector in Algeria. Joan; c2004.
6. Tanzi V. The hidden economy: reasons for this amazing global phenomenon and its effects. *Finance and Development*. c1983;4.
7. Bassam B. Dimensions of money laundering and its repercussions on the Iraqi economy. University of Baghdad; c2013.
8. On MS. The parallel economy in Iraq. Research presented to the Ministry of Planning, Baghdad; c2014.
9. Adnan S, Safwat P. The hidden economy: study of the mechanisms and methods for addressing it. *Renaissance Arabic Publishing House*; c2010.
10. Todaro M. *Economic Development*. Riyadh: Mars Publishing House; c2006. Translated by Mahmoud Hosni and Mahmoud Hamed.
11. Sonnenberg A. *Total economy*. Cairo: Al Farooq Cultural Investments; c2008. 1st ed.
12. Abdjman M, Sultan M. *The Sultan and the Most Gracious*. Riyadh: Mars Publishing House; c1999. Translated by Mohammed Ibrahim.
13. Abdo S. *Contemporary issues in economic development*. Alexandria: Loyalty Legal Library; c2014.
14. Alwani A. The effect of cash politics on economic growth: case study of Algeria 1990-2014. Master's thesis. Tlemcen University; c2016.
15. Rose K. *Foundations of Economic Growth Theory*. Benghazi: Qaryounis University; c1999. 1st ed.

Translated by Adnan Abbas.

16. Sweefi A. *Basics of Economic Development and Planning*. 1st ed. Oman: Wael Publishing House; c2009.
17. Al Bayati KR. *Political Economic Development in the Arab Homeland*. 1st ed. Oman: Ayla Publishing and Distribution; c2008.
18. Erekat MM. *Introduction to Economic Development and Planning*. Oman: Carmel Publishing House; c1993.
19. Bureau Internationale du Travail. *Methods and Instruments for Supporting the Informal Sector in Francophone Africa*. Geneva: International Labour Organization; c2004.
20. Wampungu B. *Informal economy and economic development*. *Daily Developments*. Unikin; February c2002.
21. Fields G. *Methodology and theory in new approaches to information technology*. Paris: OECD; c1990.
22. *Hidden Economic and Social Statistics: Statistics on Information and Non-Observable Economies*. Bangkok: United Nations; c2005.
23. *Assessing Modern Economic Information: Employment Sector*. c1994.
24. Algion P, Howit P. *Théorie de la Croissance Endogène*. Dunod; c2000. p. 195.