ECONOMIC DEVELOPMENT AND INSTITUTIONAL ECONOMIC MECHANISMS IN EMERGING COUNTRIES: A CASE OF IRAQ

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ABSTRACT. The institutional economy is concerned with the role of enterprises in economic activity, access to efficiency, and shaping economic behavior. Because institutional procedures are critical in various productive activities, a state suffering from decline and a lack of institutional practices will not advance economically. It also emphasizes the importance of Conducting extensive research on institutions and market views and the many interactions between persons and institutions in society to improve the position of society's members and the state as a whole on both the local and local international level. This study aims to illustrate the historical context of the institutional economy and its contemporary advancements. It seeks to show the dynamics behind current institutional economies. Finally, it tries to provide light on Iraq's institutional architecture through several indicators. The findings reveal that Iraq's institutional economy is deteriorating across several economic sectors, which has resulted in rampant corruption. In addition, restricted limits on productive activity have harmed the country's economic progress.

JEL Classification: O10, O16, O17  
Keywords: Economic Development, Institutional Arrangements, International Organizations

Introduction

Economic development is one of the most persistent and basic challenges in macroeconomics, and it has been for centuries. Most authors, without a doubt, consider this to be the fundamental law of economics. On the other hand, society expects economists to contribute to the economy's advancement positively. It is rational and expected when considering that human wants have no boundaries and must be met regularly throughout a wide range of expanding scope and range. Economic progress is never sufficient in and of itself. There will continue to be a rising and consistent need for welfare and social service programs and services. Without a shadow of a doubt, the practice looks to be an evidence signal that has the potential to achieve this goal. The population of all nations, whether rich or poor, has priority in achieving a better pace of economic development than other populations. In times of economic crisis, this is critical, but it is equally essential in times of prosperity. For the most part, economic growth has always been at the forefront of the minds and concerns of nearly
everyone who lives in a given town. It was the primary driving force behind and originator of economics as a scientific discipline (A. Almagtome, Khaghaany, & Önce, 2020). The economy has always been a source of fascination for economists, who have worked tirelessly to recognize and explain how the economy functions to promote economic system growth with growing efficiency and, ultimately, to increase wealth. The classical and neoclassical schools have contributed much to this expansion, which has dominated economics for the past 200-300 years. This time, notably from the end of the 17th century to the second half of the 20th century, was characterized by the greatest historical economic expansion since these ideas were completely complete and played a dominant role in the economy. However, following this era, certain economic challenges arose, necessitating the continued development of economics to address these issues and find solutions. In the ordinary course of events, the beginning of the change was founded on criticism of the neoclassical economic school of thought and, as odd as it may seem, on the rejection of the school's founding ideas. For a long time, economic and political institutions' quality was considered external, and macroeconomic stability and human capital accumulation were essential growth indicators (Musibau, Yusuf, & Gold, 2019). During these processes, institutional economics emerged. Its development began by identifying the shortcomings of existing paradigms and revitalizing macroeconomic theory by identifying and solving the problems neglected during classical and neoclassical economics. It is how institutional economics first arose, and after a time, it was followed by a new wave of institutional economics. Institutional economics's beginnings may be traced back to the critique of the fundamental assumptions of neoclassical economics in its initial phase. That is a completely regular occurrence, and it symbolizes the first and most important stage in the formation of any science. It is not an easy step to take, but it is not the most difficult step in terms of intellectual difficulty. As a process, criticism is not the most rigorous step, and it can even be considered intellectually acceptable in some circumstances. Often, it is difficult to dispute this period, and the critic may feel honored to be associated with the political opposition leader in a democratic country at the time. Nearly no one can challenge the validity of his beliefs. However, the new theory encounters difficulties requiring further measures immediately after that. Following a critical examination of the previously dominant theory, the second phase entails the development of a coherent alternative theory, or, to put it another way, the process by which new material is added to economics to make it more complete (A. H. Almagtome, Al-Yasiri, Ali, Kadhim, & Bekheet, 2020). Our premise here is that methodological equipment, or more specifically, indicators, will be developed that will serve as a tool for defining and quantifying the quality, or more precisely, the performances of economic institutions in a certain society. Before institutionalists, economists established specific parameters for assessing and evaluating economic progress. As a result, institutionalists must establish their metrics as well. The third phase involves conducting empirical tests to determine the significance of new inventions. To be more specific, given that we have defined the indicators of institutional economics, it is necessary to identify and maybe measure their association with economic development in specific economies that include the mentioned institutional capability. Indeed, this is not an easy task. Some criteria are difficult to monitor, and there is no reliable statistic tracking system in place, among other things. However, regardless of the impartial methodological difficulties that all science, particularly a young science, encounters, if it has a chance of surviving and developing further, it must take the essential efforts to ensure its survival and development. In light of the preceding, we developed a study objective, which is to attempt to characterize the link between the institutional quality of an economic system and its ability to generate wealth and progress economically. When it comes to economic development, how important is the quality of the institution-building process? In macroeconomics, does the establishment and operation of institutions represent a
"residual" component, as was previously assumed, or is it a substantial factor? We think that the findings of this study will provide answers to the questions.

1. Literature review

1.1. The Role of Institutional Reform In Economic Development

a. The Historical Background of The Institutional School

Institutionalists thoroughly analyze economics, emphasizing the importance of institutions like laws and legal standards, property, contracts, and government-regulated corporations. As a result, the power involves the control of a company's stated pricing but not their boundaries. According to institutionalists, economics does not represent a neutral system but rather the decision-making process through which individual economic actors strive to improve their position and business outcomes. To them, economics is more than a market. Institutional economics is defined as institutions that produce markets that rely on them for development and confirm market efficiency (Adanu, 2017). As a result, we get to the first and most fundamental issue that institutionalists have been concerned with from their inception, namely the point of power and property. Economics does not rely on objective economic rules; instead, the actual financial analysis should incorporate a complicated authority system whose boundaries must not be surpassed. If any economic system is related to Marxism, the critical element is property rights overproduction. The answer to who owns something and how property rights are controlled and protected is vital. When this effort began, institutionalists viewed this as the most crucial question. Institutions are associated with institutionalists because they constitute a substantial endogenous component of the economy, but they are also a very dynamic feature. It is noted that a continuous process of crucial long-term institutional growth and formalization through perplexing and legal system development is occurring. It undoubtedly relies on the country's effect and role in forming human society, as all rules were essentially informal conventional norms, custom law, ethics before being formalized as legal standards. Despite this trend, casual arrangements will always exist. Whereas formal institutions are strict, informal rules and patterns of behavior and communication constitute the framework within which networks, ideas, expectations, and personal agendas are developed (Fuentelsaz, González, & Maicas, 2019).

To summarize, a property institution is a collection of social norms that govern the value of scarce resources. These norms might be material or non-material. Not only does this institution use the property, but it also enjoys the money generated by it and alienates and assigns the property temporarily. Private property is thought to be a necessary precondition for economic efficiency in today's society. This efficiency is founded on the owner's exclusive right to appropriate property revenue and on the owner's willingness to bear the repercussions of any unfavorable business results. Therefore, regulation of permanent or temporary property assignment rights, in conjunction with their enforcement, leads to the most sensible use of property, i.e., economic resources. The institutional school emerged as a reaction to the political and economic climate that prevailed in the United States of America in the late nineteenth century, which created significant concern about important issues: monopoly, poverty, depression, and waste (Rinnen, Westemeier, & Gross, 2020). It made some economists take the initiative to question the assumptions and results of the neoclassical school and call for a movement for reform and social control to improve economic and political conditions through government intervention to correct capitalism and save it from collapse. However, the institutional school goes back to capitalism and has nothing to do with socialist thought (Whalen, 2019). Thorsten Halling, the pioneer of the institutional school, was a critic of
socialism. Instead, he called for a radical rebuilding of society, followed by Wesley Claire Mitchell and then John Kenneth Gilbert (Ghinoi, Silvestri, & Steiner, 2019). The essential principles of the institutional school are:

1) The broader perspective: the economy, according to them, should be studied as an integrated unit and not as parts, and economic activity is not just a sum of activities that people carry out with their motives and mechanically out of the desire to maximize monetary gain.

2) Focus on institutions: the institution has an organized model for the behavior of groups, as it is a set of values, customs, social traditions, laws, ways of thinking, and ways of living. Therefore, it is not an organization with a specific goal, like a school, hospital, or company. Slavery and belief in it is an institution, just as labor unions are institutions. So, also, communism in Russia and anti-communism in America. The conclusion reached by the founders is that the institutions join the economic life and not by the economic laws.

3) The Darwinian Approach to Evolution: Institutions demand the theory of evolution in economic analysis because society and institutions are constantly changing. Institutionalists do not agree with static analysis to discover economic facts. Instead, temporal and spatial differences must be taken into account. This approach requires knowledge of economics and history and culture, anthropology, political science, sociology, philosophy, and psychology.

4) The Rejection of the idea of normal equilibrium: Institutionalists do not care about the concept of balance that capitalism has sought since Adam Smith. But instead, emphasize the principle of circular causation and the accumulation of changes that may be healthy and harmful to the process of pursuing economic and social goals. Accordingly, they believe that the government should intervene to correct the harmful changes.

5) Conflict of interests: There is a conflict between the interests of groups with each other, such as large and small businesses, producers and consumers, farmers and city dwellers, workers and employers, suppliers, local producers, as well as commodity makers and money lenders.

6) Liberal Democratic Reform: The institutionalists adopted reform to reach the best equality in the distribution of income and wealth.

7) Rejection of the idea of happiness-pain: Institutions refuse to launch economic analysis from Bentham. Instead, they relied on innovative psychoanalytic theories from psychologists such as Freud and others.

Moreover, institutionalism has removed many of the negative aspects of capitalism. They have encouraged the integration of social sciences. Some school members have emphasized inductive studies to narrow the gap between economic theory and practice. Gathering and analyzing information has become commonplace in government departments, individuals, and non-profit organizations in business and work, as well as among individual economists. It was the first appearance of the institutional school through the acceptability that Keynesianism enjoyed. However, it bears the principle of state intervention to correct the deviation in the economy, which the classical school rejected. Legal protection for unions, social insurance, minimum wages, and maximum working hours (Yamada, 2020).

b. Institutional Analysis For Economic Development and Reform

The economies of different countries aim to grow, and growth does not come except through an increase in the gross domestic product through economic factors. But is it sufficient for the economy to be productive and achieve a GDP growth rate to achieve development? Let's take Iraq, for example, which earned a compound growth rate in the gross domestic product of (15.8%) during the period (2006-2010), which is a relatively high growth rate (HassanAl-Azzawi, 2020). Has Iraq achieved clear-cut economic development during this period? The
answer will be no. Development requires a rise in GDP and other economic indicators and needs a favorable political, social, and legal environment. It is provided by institutions that include a formal rule that provides for constitutions, laws, rules, and regulations put in place by the government, informal restrictions that have patterns of behavior, agreements, and rules of conduct, all of which are equally important. Still, they are much more difficult to be modeled and analyzed. Finally, any Institutions include ways and means to implement the formal rules and informal norms of behavior within the economy (Tserng, Russell, Hsu, & Lin, 2012). Institutional economics tried to identify these means, thus establishing new branches of this science represented by the following:

1. Transaction costs.
2. The economics of incomplete information.
3. The new social economy, which includes social capital.
4. The economics of contracting and property rights.
5. Choice of public policies and political economy.

Effective institutions play a set of roles that collectively reduce transaction costs, raise market efficiency, and achieve high sustainable economic growth rates. The legal system protects property and contractual rights. Stimulating social capital works to obtain the resources inherent in it, and public policies refer to choosing the safest procedures on scientific bases and accurate information. If the institutions perform their roles correctly, the individual will exert less effort and fewer resources to complete his transactions and achieve his economic and social goals (Richardson, 2009). It is worth noting that the interest in institutions for the protection of property and the implementation of contracts is not recent, as Adam Smith referred to (Singh, 2011). Still, the institutional analysis tried to explore the institutional framework's degree, dimensions, and impact on economic development. It expanded the circle of institutions to include social institutions, values, and beliefs. Applied studies in institutional analysis depend on two directions that explore the role of institutions in economic development. The first is the comparisons that show the differences in growth rates compared to the different institutional structures of each country. The second is to study the impact of institutions on economic development results in a country over a specific period or compare its different regions (Kemp et al., 2020).

1.2. The Concept and Mechanisms of Institutional Reform

A. The brief of Good Governance

In the late 1980s and early 1990s, several conventions that constitute mechanisms for structural adjustment were introduced to the economy of several nations. Other words, such as good governance and privatization, became more well known. However, these terms were used mainly by the International Monetary Fund and the World Bank until the Human Development Report was issued in 1992 to include a detailed explanation of the concept of rational government and its relationship to economic development. The state’s social aspects of achieving growth (Kemp et al., 2020). With the publication of the report in 1994, more specific criteria were put forward to be clear manifestations of good governance, namely (Anand & Sen, 1994):

1. The form of the political system.
2. The paths through which the authority exercises the management of a state's economic and social resources.
3. The government’s ability to accept, formulate, and put into practice the general policies and manner in which it exercises its governmental functions.
While the Development Aid Committee of the Organization for Economic Cooperation (11) linked the excellent management of resources, human rights, and democracy, determining respect for laws, managing the public sector, fighting administrative corruption, and reducing military expenditures, as essential dimensions of good governance. In 1997, the Human Development Report was issued with a remarkable title (The State in a Changing World) (Malik, 2014). It accomplished a more precise definition of the functions of the state at different levels:

1- Put into practice a system governed by law.
2- Implementing policies that do not lead to imbalances, mainly to ensure macroeconomic stability.
3- Investment in infrastructure and social services.

The limitations above are nothing but a political and administrative purification of the economic environment for the market economy to prevail. It is known that market mechanisms cannot succeed if the appropriate legal and administrative setting is not available, such as competition laws, tax policy, property protection, and the availability of commercial dispute settlement courts. Likewise, rationality cannot characterize governance if it does not provide an appropriate social environment. Here, the government must protect the poor and give subsidies to the afflicted, the unemployed, the people with special needs, and those who rule them. The state’s functions, according to the 1997 Human Development Report, can be summarized in two main tasks:

**The first function:** it to Improve social justice, which includes: setting a program to address poverty and protect the poor, helping retirees and securing unemployment benefits, and taking care of everything related to social issues.

**The second function:** Correcting market imbalances and deficiencies, including the parts of the state in classical thought, which are defense and protection of public order, property protection, economic stability, and public health. Among the tasks of the state in this aspect are protecting the environment and education, taking legal measures against monopolies or legalizing them, protecting the consumer, and other similar actions.

From all of the above, good governance can be defined as the optimal exercise of the authority granted by the people to the government in managing public affairs at all political, legal, economic, and administrative levels, in a manner that guarantees the interest of the individual (citizen) under a liberal system, with the participation of both the private sector and community organizations civil. It is interesting to find in the World Health Report 2000 for the analysis and treatment of health systems that provide for the first time an indicator of the performance of national health systems, placing the health well-being of citizens. The duty of the government means that the government is responsible for the health failure in the country (Jenkins & Sugden, 2006). However, this does not mean that the government provides free health services to citizens, but instead that the government works to ensure citizens' good health under the market economy and its mechanisms. The question that comes to mind when talking about the components of good governance, especially concerning social issues, is what is the relationship between good governance and development? The answer is that the lack of social justice impedes economic efficiency. It can be explained in the following points (Miheeva et al., 2018):

A. Inequality appears in political instability, which inhibits investments, especially foreign investments.
B. Inequality reduces the achievement of political and economic consensus on crucial issues by citizens.
C. Inequality creates a state of societal frustration, as standards that promote social values, such as sincerity, trust, commitment, and other matters, do not appear.

In conclusion, economic efficiency is not achieved merely by following market mechanisms and allowing the private sector to enter and to adopt the recommendations of the International Monetary Fund and the World Bank. Instead, state institutions must take measures and resort to standards set by international institutions. Furthermore, for social justice to prevail, concerning political and social reforms such as transparency, liberalism, democracy, human rights, and protection of citizens on the standard of living and health. It creates a socially and economically stable country. Thus, creating a suitable environment to attract investments represents the basic building block for developing a nation.

B. The Brief of Political Development

Political development theorizing was mainly associated with Anglo-Saxon sociology, as a research council was established in 1923 in the United States of America. However, according to this debate, political growth became a focus of concern in the second Europe, where people's relationship with the government was examined (Geddes & Scholten, 2016). Concepts and applications are being exported to the third world as they always have been. This notion was brought to our nations to reflect the growth of citizens' capacities to properly comprehend their issues and mobilize all available powers to face these challenges practically and realistically. It was used to plan and monitor political activities inside the framework of the state. Developing political systems and practices are becoming more democratic and humiliating for human dignity and needs. People promote democracy and ensure that all citizens have equitable access to the political process (Sultana, 2018). Suppose political development is concerned with society and its institutions expanding the base of political participation and rationalizing the assumption of power to achieve political stability, dissolving the political system and carrying out modernization processes. It becomes a modern and developed system, thus transforming from totalitarian regimes to democratic procedures. Political development means more participation in the political process by the many social formations in its dimensions (Hernes, 2018). Political development is based on four essential components: political participation, political pluralism, the peaceful transfer of power, and the protection and respect of human rights.

Political participation indicates that the citizen is the one who makes the political decision, and he is the one who monitors the implementation of this decision (Hart & Henn, 2017). However, the most common meaning of the concept of political participation is the citizen's ability to express and influence decision-making, either directly publicly or through representatives who do so (Ranerup & Henriksen, 2019). For this reason, parliamentary representation is one of the most critical ways that nations follow in achieving the political participation of citizens because it expresses the indirect involvement of all citizens in legislating the decision and monitoring its implementation. There should not be Gender and any other distinction between human beings (Falk & Hermle, 2018). Political participation is one of the essential prerequisites for achieving human development. It is impossible to achieve development goals without the actual and accurate participation of segments of society and their various ethnic, regional, and social affiliations. As for political pluralism means the presence of different parties in programs and ideologies, and these parties compete with each other through free elections that take place periodically (Bugajski, 2020). The interest in political pluralism is focused on two reasons. The first is that it is an essential prelude to the political participation of society because, without pluralism, there is no meaning for political involvement nor the peaceful transfer of power. The second reason, and the most important, is that political pluralism means tolerance and respect for the rights of others and the right of the
individual to choose who represents him in power and to guarantee his right in the political decision-making process (Harrison, 2019). While, the peaceful transfer of power principle focuses on the succession between different political forces in visions, programs, and ideologies to reach capacity and political decision, the determinant of this succession is the majority (Al Suwaidi, Jabeen, Stachowicz-Stanusch, & Webb, 2020). The White House and Trump and his team followed him with his new ideology after achieving the majority. This principle includes the existence of mechanisms for the transition of the political position from the previous authority holder to the following authority holder in a peaceful manner. The peaceful transfer of power is one of the essential criteria for democracy (Micewski, 2021).

Finally, it is meaningless for any political development whose goal is not the human being and respect for his rights, from the simplest of which are individual rights to the most complex, the right to development. The reports, in 1952, decided that there should be two charters, one dealing with political and civil human rights and the other with economic, social, and cultural human rights. Economic, social, and cultural. Paragraph (2) of Article (1) states: (All peoples, in pursuit of their ends, may freely dispose of their natural wealth and resources without prejudice to any obligations arising from the requirements of international economic cooperation based on the principle of mutual benefit under international law. In no case may it be permissible to deprive any people of their means of subsistence). Paragraph (2) of Article (2) affirmed the right of peoples to freely dispose of their natural wealth and resources without prejudice to any obligations arising from the requirements of economic cooperation between states. No one may be deprived of the means of personal subsistence.

Article 47 also emphasized that nothing in any of the covenant provisions may be interpreted in a way that violates the inherent right of all peoples to enjoy and thoroughly enjoy, freely, their natural wealth and resources. Article (2) states that the human right to development implies the full realization of peoples' right to self-determination and exercise complete sovereignty over their natural wealth and resources. The human right to development can only be achieved through the collective right, that is, through the right to development. People are in complete control of their resources and wealth. This approach continued until 1986, in which he issued a pioneering declaration on the right to development that states. Every person has the right to participate and contribute to achieving economic, social, cultural, and political action. As a result, they enjoy such growth in which all human rights and fundamental freedoms can be fully realized. The developing countries have agreed to declare the human right to development. As a result, they have become responsible to their citizens to carry out social, political, and economic development. In contrast, the developed countries have reservations about it because it obliges them to provide the necessary aid to developing countries for the human being to obtain development in the latter. Still, they returned to lifting these reservations in 1993 At the World Conference on Human Rights (Howie, 2018).

The interest in human development and sustainable human development has become the focus of most political and economic studies of the United Nations. For example, the relationship between human development and human rights was the central issue of the Human Development Report for the year 2000 issued by the United Nations Development Program. Human rights have been promised and declared, but only a tiny percentage have been implemented on the ground. What prompted the High Commissioner in 2011 to say The year 2011 marks the twenty-fifth anniversary of the Declaration. However, many children, women, and men - who are the main focus of development - are still living in dire need of enjoying their right to a decent life, freedom, and equal opportunities. It directly impacts realizing a wide range of civil, political, economic, social, and cultural rights (Gostin, Meier, Thomas, Magar, & Ghebreyesus, 2018).
2. Research Methodology

Regarding our research, which would be the worldwide link between the quality of institutions and economic development, this effort is ahead since this issue has received little attention. The notion is that more rich institutions promote economic progress, but is this true? Even if the relationship exists, how is it, and how intense is it? Our fundamental hypothesis (H0) is that there is no significant association between the quality of institutions and the level of economic progress. To determine the validity of the proposed hypothesis, we must begin with the existing data. Our primary objective in selecting resources was to rely on reputable long-term editions worldwide. Our selection was a regular yearly report of the World Economic Forum (WEF) on global competitiveness. The report on global competitiveness, which covers numerous countries and indicators, provides a comprehensive analysis of any observed economy's competitiveness, both in an absolute sense, as measured by the values of indicators, and in a relative sense, as measured by comparison to other countries. Its universality is demonstrated because it encompasses more than half of the findings in the World Bank's (WB) Doing Business report. The 12 pillars of competitiveness are developed here by combining data. These pillars may be classified into three categories, but combined, they generate a synthetic global competitiveness index (GCI). The fundamental foundations of competitiveness are as follows: institutions, infrastructure, macroeconomic stability, health care, and primary education. The efficiency factor comprises the following pillars: higher education and training, the efficiency of the product's market, the efficiency of the labor market, the complexity of the financial system, technological preparedness, and market size. Finally, the inventiveness component comprises only two pillars: the sophistication of business processes and innovation (Havas, 2019). Institutions are the primary pillar of global competitiveness and one of the most critical. It is believed that institutions influence an economy's basic criteria for competitiveness as the other three pillars, or 25%. Public institutions have a critical role to play. As a result, they account for three-quarters of the pillar structure, while the remainder is devoted to private institutions. We must emphasize that six of the over a hundred indicators noted by the WEF at the highest level of pillar decomposition were derived from the report Doing Business, indicating that the report on terms and circumstances of doing business is heavily integrated into the global competitiveness report. We may infer that the WEF Report is the highest-quality assessment of global economies' competitiveness, encompassing business needs in each economy. We picked the following institutional economics metrics from the paper because they reflect concurrently three competitiveness factors: institutions, welfare market efficiency, and labor market efficiency. It is critical to emphasize that institutions are largely concerned with property and contract concerns. In contrast, welfare and market efficiency are primarily concerned with transaction costs. We used the measure of gross national product per capita as a proxy for economic progress, based on the current exchange rate of the American Dollar. We recognize that economic development concerns are complicated and that development may be measured using a variety of measures; nonetheless, we were limited to one widely recognized and widely accepted metric. It is far more critical to select the methodology for assessing the quality of national economic institutions. We had to use caution regarding development indicators due to the scarcity of data for most examined economies. Additionally, it is critical to note that calculating based on the current exchange rate has no bearing on country comparisons; it has nothing to do with a period but rather with the one-year milestone (2018). At the moment, we may disregard two significant problems of such a presentation of development degree, namely the failure to address economic dynamics and the partition of national wealth. We will utilize the most comprehensive data from the WB database. In this way, we will investigate the link between economic progress and the quality of institutional economics as indicated in the 2018 World Economic Forum Report, which
covers the world's 140 largest economies. We shall now discuss one additional methodological point. In our perspective, only relative dimensions are suitable for analyzing results and global economic performance, but not individual quantity indicators and quality ratings. It is because concepts such as economic progress and the quality of economic institutions do not have a specific practical upper or lower limit. When assessed via one of these four lenses, any economy's value is rational only compared to other economies. Thus, the ranking of each economy is critical, not the indicator's value.

3. Results

3.1. The Economic Freedom Index

The Index of Economic Freedom works on the index of the world's countries to show the role of economic freedom in achieving peoples and its impact on health, the environment, the development of society, democracy, and the eradication of poverty. The Heritage Organization issues the index established in 1973. The organization defines freedom as the human right to work, consumption, investment, and transfer of labor and capital. It is based on ten factors divided into four groups: laws, including property rights, and freedom from corruption. Government limitations, including tax freedom, government spending, and efficiency Regulation, include freedom of trade, monetary freedom, workers, and free markets, including freedom of exchange, investment, and financial freedom. Iraq is classified within the group of countries with zero economic freedom, as the index score reached 4.9 during the period (1997-2001). The Iraqi index rose to 5 in 2002, which is the maximum degree in the economic freedom index, indicating that Iraq does not enjoy even the minimum level of financial freedom. And to increase restrictions on economic activity and increase the government sector. Due to the lack of sufficient data (2003-2015), there is no arrangement for Iraq in the Index of Economic Freedom. Iraq ranked 153 globally in 2001, regressing to 156th rank among the 161 countries included in the index in 2002. Iraq ranked 19th among Arabs, progressing. It ranked 17th in the Arab world in 2001 and 18th in 2003. Iraq ranked 13th in the Arab world and 171 globally, one of the last ranks in the 2016 Index of Economic Freedom, among 178 countries included in the report issued by the American Heritage International (Levin, Ali, Crandall, & Kark, 2019).

3.2. The Ease of Doing Business Index

It is a new sub-indicator within the Business Performance Environment Report, issued annually since 2004 by the World Bank Group and the International Finance Corporation. It is a composite index consisting of ten sub-components that make up the business performance environment base. The index measures the impact of government laws and measures on economic conditions, focusing on the small and medium-sized enterprises sector, laying the foundations for measuring and comparing business environment requirements in developed and developing countries. The index consists of ten sub-indicators, including:
A. The project establishment indicator: It includes several procedures, the period, the cost as a percentage of the average income of the individual, and the minimum capital required to start the project as a percentage of the average income of the individual.
B. The licensing index includes several procedures, the period, and the cost as a percentage of the individual's average income.
C. Employment index of workers: it includes the difficulty of the hiring index, the strictness of the working hours index, the problem of dismissal index, the recruitment cost index as a percentage of the salary, and the dismissal cost index (wage).

D. The property registration indicator includes the number of procedures, the period (working day), and the cost as a percentage of the property value. The credit access index consists of the legal rights index and the credit information index.

E. The investor protection index consists of the extent of the disclosure index, the importance of the direct responsibility index, and the shareholder issues index (with managers and employees) due to mismanagement.

F. The tax payment indicator includes the number of taxes paid, the period spent, and the total taxes as a percentage of commercial profits.

G. Cross-border trade index: it includes export documents, the extent of export, cost of export, export documents, import period, and import cost.

H. Contract Execution Indicator: It includes procedures, duration, and cost of resolving commercial disputes.

I. Project closing indicator: It includes the duration, cost, percentage of funds after bankruptcy, and imports.

There is a new proposed sub-indicator, the indicator of access to electricity, which has not yet been rated. According to this leading indicator, the country's classification indicates how much the country enjoys a suitable business environment that is attractive to investments. The higher value indicates a bad business environment and vice versa. The sub-indicators that make up the index are given equal weights, and the index is calculated from the average percentages recorded by the state in each sub-indicator. Iraq entered this indicator for the first time in 2005. Out of 155 nations in the ranking, Iraq was 114 in 2005, 145 in 2006, and 146 the following year. The index declined until 2013 when Iraq's rank reached 151 (Group, 2014). Accordingly, according to this indicator, the business performance environment suffers from many difficulties related to establishing projects, extracting licenses, protecting the investor, and so on, which requires work to overcome this to ensure ease of business performance. Iraq's ranking rose according to the ease of doing business index in 2016, bringing its rank to 123 out of 189 countries. Sub-indicators that have increased in Iraq's ease of doing business index are shown in the following table.

Table 1. Sub-indicators of the ease of doing business in Iraq (2016-2017)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2016</th>
<th>2017</th>
<th>Rate of change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start business</td>
<td>153</td>
<td>164</td>
<td>0.62 +</td>
</tr>
<tr>
<td>Extraction of building permits</td>
<td>130</td>
<td>104</td>
<td>2.13 -</td>
</tr>
<tr>
<td>Access to electricity</td>
<td>138</td>
<td>133</td>
<td>5.40 +</td>
</tr>
<tr>
<td>Registration of ownership</td>
<td>114</td>
<td>115</td>
<td>2.44 +</td>
</tr>
<tr>
<td>Get credit</td>
<td>181</td>
<td>181</td>
<td>0.51 +</td>
</tr>
<tr>
<td>Protecting minority investors</td>
<td>118</td>
<td>123</td>
<td>0</td>
</tr>
<tr>
<td>Paying taxes</td>
<td>50</td>
<td>52</td>
<td>0</td>
</tr>
<tr>
<td>Cross-border trade</td>
<td>179</td>
<td>179</td>
<td>0</td>
</tr>
<tr>
<td>Contract enforcement</td>
<td>138</td>
<td>138</td>
<td>0</td>
</tr>
<tr>
<td>Settlement of insolvencies</td>
<td>169</td>
<td>196</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: own compilation

Table 1 shows that the indicator of starting economic activity and obtaining credit improved slightly. This improvement is since the year 2016 witnessed tremendous developments in the level of financial freedom in various fields, adding that the government
was directed to grant licenses to companies and simplify procedures In addition to facilitating many investment transactions (Liang, 2020). On the other hand, while the change in the indicator of obtaining electricity was noticeable, the improvement in the property registration indicator is clear. The rest of the indicators did not change except for securing building permits due to the bureaucracy and red tape that governs the concerned departments in this regard.

3.3. The Transparency Index

Lack of transparency (corruption) is defined as exploiting public office for private interests. The indicator measures the degree of openness by measuring the extent of corruption among public sector employees and politicians (Alt, 2019). Iraq ranked 113th globally and 16th in the Arab world in 2003 (Gollob & O’Hanlon, 2020). The index’s score reached 2.2 degrees, declining to 2.1 degrees in 2004, ranking 129th globally and 17th Arab. In 2005, the index’s score rose to 2.2 degrees, ranking 137th globally and 17th among Arabs. In 2006 and 2007, it ranked 160 and 178 globally and 17 and 16 in the Arab world. The index’s score reached 1.9 in 2006 and 1.5 in 2007, evident in the following table. Despite the slight decrease, the ranking did not decrease in 2008 but remained stable, while the order was high in the subsequent years until 2016.

Table 2. Global Corruption Index and Iraq’s Location (2003-2016)

<table>
<thead>
<tr>
<th>year</th>
<th>Number of participating countries</th>
<th>Iraq sequence</th>
<th>Iraq corruption index score</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>130</td>
<td>113</td>
<td>2.2</td>
</tr>
<tr>
<td>2004</td>
<td>146</td>
<td>129</td>
<td>2.1</td>
</tr>
<tr>
<td>2005</td>
<td>194</td>
<td>170</td>
<td>2.2</td>
</tr>
<tr>
<td>2006</td>
<td>163</td>
<td>160</td>
<td>1.9</td>
</tr>
<tr>
<td>2007</td>
<td>180</td>
<td>178</td>
<td>1.5</td>
</tr>
<tr>
<td>2008</td>
<td>180</td>
<td>178</td>
<td>1.3</td>
</tr>
<tr>
<td>2009</td>
<td>180</td>
<td>176</td>
<td>1.5</td>
</tr>
<tr>
<td>2010</td>
<td>178</td>
<td>175</td>
<td>1.5</td>
</tr>
<tr>
<td>2011</td>
<td>183</td>
<td>175</td>
<td>1.8</td>
</tr>
<tr>
<td>2012</td>
<td>176</td>
<td>169</td>
<td>1.8</td>
</tr>
<tr>
<td>2013</td>
<td>171</td>
<td>166</td>
<td>1.6</td>
</tr>
<tr>
<td>2014</td>
<td>168</td>
<td>166</td>
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</tr>
<tr>
<td>2015</td>
<td>169</td>
<td>165</td>
<td>1.6</td>
</tr>
<tr>
<td>2016</td>
<td>168</td>
<td>166</td>
<td>1.7</td>
</tr>
</tbody>
</table>
Figure 1. Global corruption index (2003-2016)
Source: own data

The above figure shows that corruption in Iraq shows a significant gap in the optimality of non-corruption. It is evident in the vertical section representing the ranking of countries globally according to the index. Transparency is one of the composite indicators, as it is calculated based on specialized surveys. Countries are ranked on this scale from zero to ten, as the number or degree zero indicates a very corrupt country, while the tenth degree indicates an immaculate country. Accordingly, Iraq is one country that suffers from corruption to a very high degree.

Conclusions

We outlined the core of institutional economics and the basic categorical machinery that underpins it. We uncovered a relatively underdeveloped practice of broader quantified evaluation and rating of institutional economics and its growth at a worldwide level, which we investigated further. A consequence is that this paper emphasizes the difficulty of determining the link between the institutional economy and overall economic growth in a broader sense. The goal of our research was to close this gap in understanding. The goal was to provide the concept of development level measurement of institutional economics and to gather evidence for the existence of a link between this phenomenon and the degree of economic development in a country. A country’s economy cannot grow unless the procedures of institutional economics support it. Business performance in Iraq is negatively affected by several obstacles, including those connected to project establishment, license acquisition, and investment protection (to name a few). Iraq struggles with a high level of corruption in its institutions, which has sabotaged attempts to change the country. The government, educational institutions, and research institutes should devote more resources to disseminating the culture of the institutional economy and pay close attention to the criteria and indicators of institutional economics. Civil society groups, religious and tribal organizations assist in disseminating human and moral values and the resurgence of these values from the highest ideals of faiths and society. Self-censorship and central control are activated in this situation. Develop and develop administrative leaders in terms of familiarity with and understanding of the laws governing the detection of administrative corruption, among other things.
References


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