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THEORETICAL ASPECTS OF THE RELATIONSHIP OF INFLATION AND UNEMPLOYMENT

For a better understanding of the relationship of inflation and unemployment, consider the essence of these two macroeconomic indicators.

Every person living in a society is familiar with such a social and economic phenomenon as unemployment. It is typical of a market economy, it constantly confuses our thoughts, requires a thorough study of the reasons behind it, attention from the state and a thorough analysis of economic science. Unemployment is a socio-economic situation in which part of the active, able-bodied population cannot find a job that these people are capable of performing. It is due to exceeding the number of people who want to find a job, over the actual number of jobs corresponding to the profile and qualifications of applicants for them [1, p. 457].

This economic phenomenon is characterized by indicators such as:

- The level (norm) of unemployment – reflects the ratio between the number of unemployed and the total number of manpower.

- The duration of unemployment is the time during which the able-bodied person remains unemployed [1, p. 458]. In economic theory, there are several types of unemployment. The indicator of openness distinguishes open and hidden unemployment. Open unemployment is a characteristic condition where a person recognizes that she is not employed and registered on the labour exchange; hidden – where a person is not officially registered as an unemployed person. Many workers, having lost their jobs, find it vain to find vacancies. This leads to hidden unemployment. Taking into account the above, it is necessary to mention forced and voluntary unemployment. Voluntary unemployment is connected with the free expression of the will of the person who is part of the labour force; refrain from the offer of labour for unacceptable conditions for it. Forced unemployment is not connected with the free expression of the will of the person who is part of the labour force, but due to factors beyond his or her choice.

Western economic science distinguishes the following forms of unemployment:

Frictional unemployment is temporary unemployment, which is associated with the voluntary transfer of a worker from one job to another.

Structural unemployment is unemployment, which is associated with changes in the structure of consumer demand and technology production.

Cycle unemployment is short-term unemployment, due to cyclical downturns in production [2, p. 163].

Inflation is one of the most painful problems of the present, which has a negative impact on all sides of society. Inflation is a decrease in the purchasing power of a monetary unit. Such an economic situation arises in the market as a result of an increase in the money supply, which is not confirmed by the production of goods and services. Depreciation of a monetary unit occurs when the money in circulation becomes more than necessary. For such "economic illness" there are such signs as:

- Price increase;
- Excess of population incomes over the issue of goods;
- Excessive emission of money, which violates the law of monetary circulation, etc.

Inflation is a depreciation of money caused by disproportions in public production and a violation of the laws of money circulation, which manifests itself in the steady increase in prices for goods and services [1, p. 182].

Rates of growth distinguish the following types of inflation:

Creeping inflation that develops gradually, when prices increase to a small extent (does not exceed 10% per year).

Moderate inflation (2-5% per year) in developed Western countries is not considered as a negative factor. On the contrary, it is believed that it stimulates the development of the economy, gives it the necessary dynamism.

Galloping inflation is when prices grow fast – by 10-100% annually. At the galloping inflation stage, there is a decline in production and a reduction in trade, a loss of incentive to invest, a constraint on the process of social accumulation, the outflow of capital from the production sphere to the sphere of circulation, that is, the imbalance of economic equilibrium.

Hyperinflation is inflation, when prices rise astronomically – by 1-2% daily or reaching 1000% or more per year [2, p. 456].

The main objectives of economic policy are to achieve low unemployment and low inflation. In the short run, there is an inverse relationship between the levels of inflation and the levels of unemployment, which is called the Phillips curve. The Phillips curve states that the inflation rate depends on three factors:

- Expected inflation;

- Cyclical unemployment;
- Shock changes of the proposal.

The Phillips curve reflects the inverse effect of inflation on unemployment: the higher the inflation rate, the lower the unemployment rate. This is explained by the fact that the high unemployment rate forces employees to accept lower wages, which ultimately slows down prices. It is easier to demand high wages for a low level of unemployment, but the result will be an increase in inflation. Consequently, low unemployment is accompanied by high inflation, and high unemployment – a low rate of inflation.

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THE BASICS OF FINANCIAL RESPONSIBILITY

What does it mean to be financially responsible? It's a complex question with a complex answer, but at its core is a simple truth: To be financially responsible, you need to live within your means. And to live within your means, you must spend less than you make [1]. Financial responsibility refers to the process of managing money and other similar assets in a way that is considered productive and is also in the best interest of the individual, or the family, or the business company. Being adept at financial tasks and money management involves cultivation of a mindset which makes it possible to look beyond the needs of the present so as to provide for the needs of future. Besides, it is essentially important to understand the various basic principles so as to achieve a high level of financial responsibility [4].

Here are some important aspects of financial responsibility: