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INFLATION AND DEVALUATION: MACROECONOMIC MUTUAL RELATIONS AND DEPENDENCES

The economy of modern globalized life demonstrates an interesting system of complex interdependencies and influences between its various components and elements. Perhaps now we can speak of the emergence of a new product of economic, political and social globalization – the world economy, which integrates national economies into a new quality, a system of new relations. The basic economic processes and phenomena described by the corresponding traditional economic categories began to gain new meaning. In particular, the macroeconomic problem, which manifests itself in the field of monetary and credit relations, mediates the connection of inflationary processes and the devaluation of national currencies in the conditions of the global economy, is of particular interest.

The basic problems of inflation and deflation are studied discretely and enough deeply and comprehensively – they are directly or indirectly in the focus of scientific research and analysis of most of the economic schools of the past and present. Understanding the new nature of the relationship between inflation and devaluation will allow to master more efficient means

of monetary regulation, to overcome the probable negative effects of such regular influences on national economies and world economies in general.

Inflation is a process of reducing the cost of money, which results in less volume of goods and services can be bought by the same amount of money after a certain period. In practice, this is due to higher prices.

Devaluation is a decrease in the rate of the national currency relative to a certain foreign currency or gold.

Common to inflation and devaluation is that both phenomena are inherent features of the capitalist economy; both indicate violations and problems in the system of monetary and foreign exchange relations.

The differences between inflation and devaluation are exhibited primarily in the pace and dynamics of their manifestation. Inflation is usually methodically more steady, creeping but with different indicators of its dynamics. Instead, devaluation typically has a tendency to discrete changes in shock format. Its last feature is distinctive primarily for the domestic economy. The nature of inflationary manifestations in the economy has certain exogenous features from the point of view of possible options for choosing current macroeconomic policies and selecting the tools for macroeconomic impact on this problem. Instead, devaluation is already a product of active regulatory policies of various state institutions, primarily as a national bank and other market players.

Devaluation, unlike inflation, with its apparent periodicity changes its value from positive to negative, that is, it goes into the phase of revaluation. Inflation, at least in the measure taken with the use of average annual rates, virtually never moves to the devaluation zone – it is a permanent phenomenon for the capitalist economy and changes only its own positive dynamics.

Therefore, these two phenomena are a kind of two related "illnesses" of the existing system of monetary relations, which mutually reinforce each other and encourage the emergence of a negative cumulative macroeconomic shock. Strengthening the devaluation of the national currency prompts the emergence of inflationary shifts in the market segment oriented towards the exported goods. On the other hand, persistent inflation with high indicators of its rate leads to a loss of confidence in the national currency, prompts consumers to divert their savings into a more stable currency and, thus, to intensify devaluation trends in response.

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FORMULATION OF NATIONAL ECONOMY

The millennium led humankind to a marked model of its own economic life. The statistics of economy proved to be the most optimal, although not ideal form for solving the economic problem inconsistency between social needs and the productive potential of their satisfaction. At the end of the twentieth century, Ukraine also began to capitalize on its own economic system. However, this way proved difficult and long.

Problems and disadvantages of the reforms of the national economy of our country are caused by several significant circumstances, which often remain outside the theoretical and analytical assessments of specialists.

The first thing is the institutional one. The general vector of early economic reforms in Ukraine was faster than the political rather than the actual economic component.

The second fact is technological. The development of market institutions requires not only institutional changes in the economic system itself, but also technological solutions of high quality.

The third circumstance is managerial. The reforms at the micro level were often slowed down.

The fourth circumstance is mental. Dynamic economic and political reforms practically did not take into account the specifics of the national mentality of the Ukrainian people.