

MONEY-CREDIT MULTIPLICATION AND PROBLEMS OF INFLATION

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The article is devoted to the study of the dynamics of indicators of monetary and credit multiplication in Ukraine over the past 20 years and the empirical verification of a number of theoretical propositions regarding the relationship between the dynamics of the money supply and inflation. To assess the state of monetary and credit multiplication, it is proposed to use three indicators: deposit multiplier; credit-money multiplier, and actual money multiplier. Methodological approaches to the calculation of the indicated indicators are reasoned. A method of calculating the deposit multiplier is proposed under the condition that the country uses a zero rate of the mandatory reserve norm and a differentiated approach to the formation of reserves for individual types of deposits (short-term and long-term, in national or foreign currency, etc.). The factors of the credit-money multiplier are analyzed, among which special and general reserves are allocated, which are formed both at the request of the central bank and at the initiative of commercial banks. The deposit multiplier and the actual money multiplier are found to have a fairly steady upward trend over the past 20 years. There is also a fairly stable connection in the dynamics of these indicators. However, they differ significantly in quantity. This means that there are numerous factors that prevent the realization of the credit potential of banks, which has increased as a result of the reduction of mandatory reserve requirements. In particular, the simultaneous reduction of the reserve requirement ratio and the increase of the discount rate are multidirectional in their impact on monetary and credit multiplication. It was found that the practice of state monetary and credit regulation is contradictory, as its tools are used in such a way that they cancel each other out and lead to undesirable overall economic results. The article empirically verifies the theoretical proposition regarding the relationship between the money supply and inflation rates. Comparisons of adjusted money supply and monetary base (growth rates of these indicators divided by GDP growth rates) and inflation rates did not show any significant relationship. The obtained result should not be considered as a denial of the correctness of the theoretical propositions. In fact, this is a reflection of inconsistent real economic policy, which destroys the usual mechanisms of market regulation and makes it difficult to predict the results of the functioning of the national economy.

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