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INFLATION - FACTORS OF EMERGENCE

Abstract: This article discusses the main features of inflation and its causes.

Keywords: factor, growth, money, economy, need

ИНФЛЯЦИЯ - ФАКТОРЫ ВОЗНИКНОВЕНИЯ

Аннотация: В данной статье рассматриваются основные особенности инфляция и факторы его возникновения.

Ключевые слова: фактор, рост, деньги, экономика, потребность

Inflation is the overflow of channels of money circulation with excess money supply, manifested in the growth of commodity prices. In reality, as an economic phenomenon, inflation arose in the twentieth century, although periods of marked price increases have happened before, for example, during periods of war. The term “inflation” itself arose in connection with the massive transition of national monetary systems to the circulation of unchangeable paper money. Initially, the economic sense of inflation was embedded in the phenomenon of redundancy of paper money and in this regard, their depreciation. The depreciation of money leads to an increase in commodity prices. This is where inflation is manifested (this word is translated from Latin as “swelling”). In the modern economy, inflation occurs as a result of a whole complex of reasons (factors), which confirms that inflation is not a purely monetary phenomenon, but also an economic and sociopolitical phenomenon. Inflation also depends on social psychology and public sentiment.

In this connection, the term “inflationary expectations” is valid: if society expects inflation, it will inevitably arise. In the 20th century, inflation has become a

constant element of the market economy. This was facilitated by a number of factors of global order: the rapid growth of commodity production, the complexity of its structure; price and social transfer systems have become universal; pricing practices have changed under the influence of monopolistic enterprises, the sphere of price competition has sharply decreased. The increase in production efficiency is manifested, as a rule, not in a reduction in prices, but in an increase in the mass of profits and incomes of production participants. The price movement towards their increase is a prerequisite, and often already inflation itself.

The growth of government spending and, as a consequence, the state budget deficit is also a cause of inflation. The decisive characteristic of inflation is its magnitude. Historical practice shows that the higher the inflation, the worse for society. Creeping (“normal”) inflation is characterized by price increases of 3-5% per year; galloping - by 30-100% per year; hyperinflation - by thousands and tens of thousands of percent per year. Inflation is a long-term process of reducing the purchasing power of money (raising the general price level). Inflation is an increase in the general price level, accompanied by a corresponding decrease in the purchasing power of money (depreciation of money) and leading to a redistribution of national income. Deflation is a decrease in the general price level. Inflation is the main destabilizing factor of a market economy. The higher its level is, the more dangerous it is. Inflation has a strong impact on economic agents, someone wins because of it, someone loses, but most consider inflation to be a serious problem.

If we compare the nature of inflation processes in the conditions of the metal monetary system and in modern conditions, when paper and electronic money are functioning, then during the gold standard period, inflation occurred periodically: with a sharp increase in demand, associated primarily with wars. In modern conditions, the inflation process has become constant and periods of

lower prices are now observed less and less. Depending on the rate (flow rate), the following types of inflation are distinguished: Creeping (moderate) - price increases of not more than 10% per year. Cost of money is saved, contracts are signed at nominal prices. The economic theory considers such inflation to be the best, since it comes at the expense of the renewal of the assortment; it makes it possible to adjust prices, changing according to the conditions of supply and demand. This inflation is manageable because it can be regulated. □ Galloping (hopping) - price increases from 10-20 to 50-200% per year. The contracts begin to take into account the rise in prices, the population invests in material values. Inflation is difficult to manage, monetary reforms are often carried out. These changes indicate a sick economy leading to stagnation, that is, to an economic crisis.

Hyperinflation - a rise in prices of more than 50% per month. Annual rate of more than 100%. The well-being of even the wealthy strata of society and normal economic relations are destroyed. Unmanageable and requires emergency measures. As a result of hyperinflation, production and exchange stop, the real volume of national production decreases, unemployment grows, enterprises close and bankruptcy occurs. Inflation is caused by monetary and structural reasons: □ monetary: the discrepancy between the money demand and the mass of commodities, when the demand for goods and services exceeds the amount of turnover; excess of income over consumer spending; state budget deficit; overinvestment - the amount of investment exceeds the capacity of the economy; faster wage growth compared with production growth and increase in labor productivity; Structural causes: deformation of the national economic structure, expressed in the lag of development of the sectors of the consumer sector; reducing the efficiency of investment and curbing consumption growth; imperfection of the system of economic management; external causes - a

reduction in foreign trade earnings, a negative balance of foreign trade balance of payments.

Macroeconomic inter-sectoral imbalance causes structural inflation. Among the institutional causes of inflation can be identified causes associated with the monetary sector, and the causes associated with the organizational structure of markets. In general, this set of reasons is as follows: 1. Monetary factors: unjustified emission of money for the short-term needs of the state; □ financing of the budget deficit (can be carried out at the expense of money emission or at the expense of loans in the central bank). 2. A high level of monopolization of the economy. Since monopoly has market power, it is able to influence prices. Monopolization can increase inflation, which began due to other causes. 3. The militarization of the economy. Arms production, increasing GDP, does not increase the country's production potential. From an economic point of view, high military spending hinders the development of the country. The consequences of militarization are budget deficit, imbalances in the structure of the economy, underproduction of consumer goods with increased demand, i.e. product shortages and inflation.

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