

## **Fighting Against Inflation, Resuming Economic Growth and Budget Stabilization**

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### ***Abstract***

*The article contains of a deep analysis of a wide range of issues related to the essence of inflation, its manifestations, and features, internal and external factors. It is noted that important factors in the development of inflationary processes are administrative approaches to the regulation of performance indicators of entities that have a significant impact on all aspects of the economic life of the modern world. Concrete suggestions are given to slow down the growth of inflation.*

**Keywords:** *inflation, tax, taxable base, deficit, budget deficit, budget, money supply, modernization, price, securities, financial stability.*

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Real progress in the fight against inflation and a comprehensive balanced reform of the most important sectors of the economy, macroeconomic conditions for the resumption of economic growth and modernization of the economy are to stabilize the budget, improve tax collection and reduce borrowing to cover the budget deficit.

At the present stage of the innovative development of the economy, inflation has not only become one of the most acute socio-economic problems, but has also acquired a global political character. It went beyond the national borders of individual countries and struck the whole world, having a profound effect on the aggravation of social contradictions and the economic situation, the sphere of financial and currency relations, and international trade and economic relations.

Modern inflation, the origins of which are rooted in the very nature of the formation and development of countries, has received a number of new features related to its sources, scale and level of cost. The curve of rising or falling inflation is getting steeper. Even in certain periods in market developed countries and in some market developing countries, the phenomenon of "stagflation" arose - a combination of stagnation, which generates unemployment, with inflation, which acts as a new phenomenon in the economies of most countries of the world.

In the context of the new economic situation, a key set of issues to be resolved to improve investment activity, after which it will be possible to ease the tax burden of enterprises. In order to increase tax collection, it will be necessary, while maintaining a low level of production and narrowing the tax base at the expense of those reserves that are associated with the suppression of tax evasion, primarily in the sphere of circulation, the production of alcoholic beverages, etc.

The next real way to reduce the budget deficit is to save on government spending items. However, an unreasonable reduction in all budget expenditures (including in the form of sequestration) has no prospects. Here we need deeply thought-out and targeted measures that can ensure a budget surplus. This is very important for the successful fight against inflation.

At the same time, it should be noted that a budget surplus may not always have an impact on a sharp decline in inflation. The economic practice of countries with economies in transition shows that in countries that have provided a budget surplus, there was inflation and its growth. Another example is the fact that our Republic, while providing a surplus, is facing an increase in inflation (for 2012-2017).

In the conditions of the new economic situation, there is, first of all, the need to modernize the social sphere in order to significantly increase its efficiency; it is time to implement a system of minimum social standards in the areas of consumption, education, health and culture. For the state should not subsidize utilities from the budget to everyone, regardless of the level of income received. An increase in the cost of housing and communal services should be accompanied by targeted compensation to low-income families. Modernization also implies the rejection of cross-subsidization of services for the population (including transport services, in which low tariffs for the population are provided at the expense of inflated tariffs for industrial consumers, resulting in an excessive financial burden on production, which is transformed into an increase in demand restrictions and prices for finished products) products, which, in the end, had to be paid for by the same population). This has the greatest effect on the dynamics of prices for socially important goods. Low tariffs for services provided regardless of income level result primarily in rising prices for goods and services purchased by low- and middle-income groups, since the demand of high-income strata of the population is largely met by imports.

Among the measures to optimize government spending, it is also necessary to modernize the national defense, aimed at creating a well-equipped and mobile army.

Without a rigid income policy, all attempts to improve finances and money circulation are doomed to failure. Because of the experience of market-developed countries at the dawn of the formation of a market economy shows, special attention is paid to a strict income policy. Lack of understanding of such policy can lead even in the current conditions to adverse consequences, in particular, to an increase in the level of inflation. Today it is very important to understand the specific features and origins of inflation.

It is not exaggeration to say that an excess money supply can lead to higher prices, and a price release will certainly force the money supply to adjust to price dynamics. Moreover, there is now a sharp discrepancy between the growth rates of prices, GDP, money supply and credit investments.

It is noteworthy that the described case has a historical analogy (see Table1).

*Designation conditions:* cells are left without selection, the indicators of which were in the range of  $\pm 0.5$  pp. Light fill indicates the cells, the indicators of which were more than 0.5 pp. higher than the eurozone. Dark shading indicates the cells, the indicators of which were more than 0.5 pp. below the Eurozone. GIF: Germany, Italy France.

These data allow us to conclude that the success of the ECB in maintaining price stability in the euro area in the pre-crisis period was mainly achieved due to low price dynamics in the “heavyweight countries”. Consequently, rising inflation in a number of other countries had little effect on HICP and was only partly taken into account by the ECB's monetary policy.

In world practice and in the history of taxes, there are few (if any) solutions to inflationary problems. However, studying the experience of those countries that have solved such problems in difficult conditions can be useful and will help to avoid mistakes that are fraught with very dangerous social consequences.

### Inflation rates in the Eurozone countries in 2001-2012

	Years												Number of years in the interval $\pm 0.5$ p.p. from HICP
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
HICP - 17 countries	2.4	2.3	2.1	2.2	2.2	2.2	2.1	3.3	0.3	1.6	2.7	2.5	12
arithmetic mean - 17	3.4	3.0	3.0	2.6	2.3	2.5	2.2	3.7	0.4	1.7	2.9	2.7	-
arithmetic mean - GIF	2.0	2.0	2.0	2.1	2.0	2.0	2.0	3.2	0.4	1.5	2.6	2.5	-
Austria	2.3	1.7	1.3	2.0	2.1	1.7	2.2	3.2	0.4	1.7	3.6	2.6	nine
Belgium	2.4	1.6	1.5	1.9	2.5	2.3	1.8	4.5	0	2.3	3.4	2.6	7
Germany	1.9	1.4	1.0	1.8	1.9	1.8	2.3	2.8	0.2	1.2	2.5	2.1	10
Greece	3.7	3.9	3.4	3.0	3.5	3.3	3.0	4.2	1.3	4.7	3.1	1.0	one
Ireland	4.0	4.7	4.0	2.3	2.2	2.7	2.9	3.1	1.7	1.6	1.2	1.9	4
Spain	2.8	3.6	3.1	3.1	3.4	3.6	2.8	4.1	-0.2	2.0	3.1	2.4	4

Italy	2.3	2.6	2.8	2.3	2.2	2.2	2.0	3.5	0.8	1.6	2.9	3.3	10
Cyprus	2.0	2.8	4.0	1.9	2.0	2.2	2.2	4.4	0.2	2.6	3.5	3.1	7
Luxembourg	2.4	2.1	2.5	3.2	3.8	3.0	2.7	4.1	0	2.8	3.7	2.9	five
Malta	2.5	2.6	1.9	2.7	2.5	2.6	0.7	4.7	1.8	2.0	2.5	3.2	8
Netherlands	5.1	3.9	2.2	1.4	1.5	1.7	1.6	2.2	1.0	0.9	2.5	2.8	five
Portugal	4.4	3.7	3.3	2.5	2.1	3.0	2.4	2.2	0.9	1.4	3.6	2.8	five
Slovakia	7.2	3.5	8.4	7.5	2.8	4.3	1.9	3.9	0.9	0.9	4.1	3.7	one
Slovenia	8.6	7.5	5.7	3.7	2.5	2.5	1.8	5.5	0.9	2.1	2.1	2.8	4
Finland	2.7	2.0	1.3	0.1	0.8	1.3	1.6	3.9	1.6	1.7	3.3	3.2	4
France	1.8	1.9	2.2	2.3	1.9	1.9	1.6	3.2	0.1	1.7	2.3	2.2	eleven

*Source: Eurostat electronic database.*

Therefore, being an economic regulator, prices can stimulate or restrain production. Relatively stable prices can provide adequate stability, especially for food prices. Therefore, the latter should be under the control of the state.

Of course, stability has one very important quality: with a stable average price and a wide variety of products, buyers with different income levels can find a product that suits their quality and price. For example, the price of meat, depending on the quality, can range from 55.0 to 70.0 thousand soums (i.e., from 5 to 6.5 US dollars).

Inflation, in our opinion, is primarily a monetary phenomenon. It should be distinguished from a one-time price increase. The main indicator of inflation is the dynamics of the cost of living. In Uzbekistan in 2017, its maximum reached 14.5%, and already in 2025 its maximum level should be 5%. To limit inflation, in our opinion, it is possible to use different methods. The main ones, from the point of view of monetary policy, are: firstly, a direct restriction of money emission (monetary aggregates  $M_1$ ,  $M_2$  and  $M_3$ ), and, secondly, taking into account when planning money emission and when pursuing a general economic policy of influence on the rates inflation of the velocity of money. Here there is a possibility of reducing inflation by slowing down the development of the activity of the conjuncture, which can also be mainly carried out by regulating the money supply, the level of bank interest, etc.

Regarding this issue, V. Popov, director of the Higher School of International Business of the Academy of National Economy, noted that “the accumulation of foreign exchange reserves forces us to increase the emission of the national currency, but it can be neutralized by the sale of government bonds: in central banking practice, such operations are called sterilization. It is also true that borrowing money through the sale of government bonds is expensive, since their yield is significantly higher than the interest at which national foreign exchange reserves can be placed in foreign banks - these are the real costs of the policy of a low ruble exchange rate. However, politics is not without costs, it is important that in this case the benefits more than pay for the costs.

Undoubtedly, the exchange rate is an important instrument of the financial and economic policy of each country. Therefore, the use of it to suppress inflation is important. However, supporting or attempting to support an overvalued national currency can undermine economic growth in the bud, and subsequently can serve as an important factor in slowing down economic recovery.

Along with the above, it should also be noted that the state of the country's budget can also affect the growth or decrease in inflation. Because of the growth of budget revenues, as well as the reduction of its expenditures, make it possible to reduce the budget deficit and government borrowing in financial markets, reduce the yield on government securities, and begin to

consistently reduce the size of public debt and the cost of servicing it (which are becoming more and more burdensome for the budget). Under this condition, as well as with the stability of the national currency, it will be possible to reduce real interest rates to a level affordable for normally operating enterprises.

Such reduction in the price of a loan is a critical point, with the passage of which there is a potential for resolving a number of the most acute, chronic problems of modernizing the economy. First of all, as already noted, real conditions are being created to eliminate the crisis of payments (as long as there is no available bank credit, the latter will be forced to be replaced by non-payments). Further, the noted shortage of working capital is eliminated and the financial situation of viable enterprises improves; at the same time, uncompetitive productions, pulling the economy down, are clearly identified. At the same time, there is no increase in inflation, and enterprises have real chances to increase savings and make effective investments in the development of production.

Therefore, to reduce interest rates, it will be necessary to take other measures, including those related to stimulating enterprises to rationally use the loans received and increasing the confidence of lenders in borrowers (although the level of interest rates not least depends on the degree of risk of those who provide loans) .

Consequently, the reduction of interest rates to the optimal level will mean the resumption of financial stabilization in the new economic situation.

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