

INFLATIONARY AND ANTI-INFLATIONARY POLICIES

R. P. Yubitskaya

*Belarusian State University, Nezavisimosti Av., 4,
220030, Minsk, Belarus, eco.yubickay@bsu.by
Supervisor – I. V. Kudyрко*

The paper analyzes the inflationary and anti-inflationary policies, their measures, goals and consequences. It also shows how measures of expansionary and contractionary policies are implemented in the Republic of Belarus.

Keywords: inflation; discount rate; interest rate; inflationary policy; anti-inflationary policy; reserve requirements; expansionary policy; contractionary policy.

ИНФЛЯЦИОННАЯ И АНТИИНФЛЯЦИОННАЯ ПОЛИТИКА

Р. П. Юбицкая

*Белорусский государственный университет, пр. Независимости, 4,
220030, г. Минск, Беларусь, eco.yubickay@bsu.by
Научный руководитель – И. В. Кудырко*

В статье анализируются инфляционная и антиинфляционная политика, их меры, цели и последствия. Также показано, как в Республике Беларусь реализуются меры экспансионной и сдерживающей политики.

Ключевые слова: инфляция; ставка рефинансирования; процентная ставка; инфляционная политика; антиинфляционная политика; обязательные резервы; экспансионистская политика; сдерживающая политика.

There are two basic types of policy that can be implemented to control the economic situation in the country: inflationary and anti-inflationary. Other common names for them are expansionary and contractionary policy. Anti-inflationary policy is aimed at reducing the government spending and combating the inflation. Inflationary policy, on the other side, deals with unemployment, stimulates the economy and promotes economic growth.

Contractionary policies are macroeconomic tools designed to combat economic distortions caused by an overheated economy. They aim to reduce the rates of monetary expansion. They are issued during the periods with extreme inflation. Monetary policy and fiscal policy are the types of anti-inflationary policy.

Instruments used in monetary policy consist of:

1. Increased interest rate reduces the level of inflation by limiting the amount of money circulating in the economy.

2. Increased bank reserve requirements — it can effectively decrease the funds available for lending.

3. Selling government assets — open-market operations are used as a tool. Having them sold the money is taken out from the economy [1].

Figure 1 shows the inflation Rate in the Republic of Belarus.

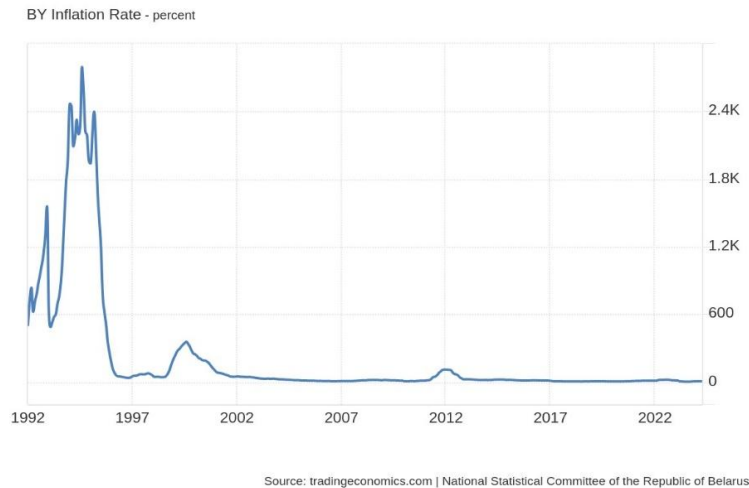


Fig.1. Inflation Rate in the Republic of Belarus [3]

Figure 2 shows the discount Rates in the Republic of Belarus.



Fig. 2. Discount Rates in the Republic of Belarus [7]

As it is clearly visible from the graphs, the first measure – dealing with high inflation by raising the interest rate – is frequently used through raising the discount rates, on which the interest rates are dependent on.

The second measure, which requires to change the required reserves has a different purpose: it stimulates people to take loans and open deposits in national currency, thereby stimulating the dedollarisation of the economy and raising the trust people put in national currency.

Government assets are not currently sold.

As for measures of contractionary fiscal policy, there are two main tools:

1. Increased taxes, that reduce the money supply and decrease the purchasing power of the consumers.

2. Reduced government spending in form of decreased subsidies, welfare programs, contracts for public works, or the number of government employees [1].

In Belarus anti-inflationary fiscal policy uses increased taxes as a measure, and expansion of the tax base is proclaimed as one of its goals [4], [5].

Contractionary policy can be rather unpopular as it requires to shut down welfare programs, reduce government spending and increase in taxes. There is commonly an overall reduction in the gross domestic product, as so it is usually disliked by voters.

Expansionary or inflationary policy is a polar opposite of a contractionary policy. It is a type of macroeconomic policy that, on the contrary, is implemented to stimulate the economy. It primarily focuses on increased money supply and extension of the government investments into the economy. Despite the bad consequences that follow inflation, the raise of unemployment can have much more devastating ones.

As in the contractionary policy there are also two types: monetary and fiscal. They use the same tools as in the anti-inflationary, but in the opposite way.

Thus, the instruments of expansionary monetary policy are:

1. Lowering lending rates. Central banks provide loans to commercial banks at a particular rate. When the rate is lower, there is more demand for funds by the commercial banks and their clients. Lower rates discourage savings and encourage consumption and investment, which promotes economic growth.

2. The next option is to reduce reserve requirements. It allows more funds to be available for loans.

3. By purchasing securities, such as government bonds, additional money is injected into the economy [2].

As it was previously mentioned, in Belarus monetary policy is anti-inflationary in nature, therefore, the expansionary one is not used.

While implementing inflationary fiscal policy, the government's aim is to stimulate the economy by directly engaging in expansionary activities through increased spending. It is typically through transfer payments, tax cuts, and rebates, ensuring that more funds are available to the public.

In Belarus expansionary fiscal policy is carried out through:

1. Increasing the wages in the public sector.

2. Maintaining socially oriented spending, implementing measures aimed at improving the quality of life of the population and the well-being of public sector workers [4], [5].

Regression analysis revealed a significant dependence of inflation on budget expenditures on wages with a lag of 6 quarters, which shows that an increase in expenditures by 1 percentage point in the current quarter can affect the acceleration of inflation by 0.4 percentage points in 6 quarters. So, the constant increase in spending, while promoting socially oriented policy, results in increased inflation [6].

In conclusion, it is clear that policy used in Belarus is dualistic in character, and while monetary policy is clearly anti-inflationary, fiscal policy is both expansionary and contractionary, which creates an endless cycle of these policies constantly dealing with consequences of one another.

Библиографические ссылки

1. *Chen J.* What Is Contractionary Policy? Definition, Purpose, and Example [Electronic resource]. URL: <https://www.investopedia.com/terms/c/contractionary-policy.asp> (date of access: 28.03.2024).

2. Expansionary Policy [Electronic resource]. URL: <https://corporatefinanceinstitute.com/resources/economics/expansionary-policy/> (date of access: 27.03.2024).

3. Беларусь – Уровень инфляции [Электронный ресурс] // Trading economics. URL: <https://ru.tradingeconomics.com/belarus/inflation-cpi/> (дата обращения: 21.03.2024).

4. Бюджет Республики Беларусь для граждан на 2023 год [Электронный ресурс] // Министерство финансов Республики Беларусь. URL: <https://www.minfin.gov.by/upload/bp/budget/budget2023.pdf> (дата обращения: 14.05.2024).

5. Бюджет Республики Беларусь для граждан на 2024 год [Электронный ресурс] // Министерство финансов Республики Беларусь. URL: <https://www.minfin.gov.by/upload/bp/budget/budget2024.pdf> (дата обращения: 14.05.2024).

6. Доклад о факторах роста потребительских цен в Республике Беларусь в 2018 году и предложениях Евразийской экономической комиссии по мерам, направленным на поддержание уровня инфляции в рамках количественного значения, установленного Договором о Евразийском экономическом союзе [Электронный ресурс] // Евразийский экономический союз. URL: https://eec.eaeunion.org/upload/medialibrary/c80/Doklad-RB_inflyatsiya-_obnovlennyy_.pdf (дата обращения: 08.05.2024).

7. Ставка рефинансирования [Электронный ресурс] // Национальный банк Республики Беларусь. URL: <https://www.nbrb.by/statistics/monetarypolicyinstruments/refinancingrate> (дата обращения: 08.05.2024).