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ЭКОНОМИКА ЖӘНЕ БИЗНЕС ЖОҒАРЫ МЕКТЕБІ  
ВЫСШАЯ ШКОЛА ЭКОНОМИКИ И БИЗНЕСА

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(NDC) to the UNFCCC in September 2015. Kazakhstan signed the Paris Agreement on Climate Change in August 2016. Green Finance in Kazakhstan includes some important aspects, such as greening the banking system, greening the bond market, Greening institutional investment [6].

We believe that in Kazakhstan at the moment there are real prerequisites for the formation of a regional financial center, subject to changes in the institutional dynamics of the Kazakh economy and its financial system, for example, as one of the main dominants of the institutional development of the financial system of Kazakhstan can be noted such as – ensuring the national financial and economic security of Kazakhstan through the formation of a post-crisis model of the banking system, involving the implementation of the following activities:

- ensuring effective redistribution of capital within the banking system;
- formation of Bank risk management standards taking into account the cyclical nature of economic development;
- reduction of net external debt of Kazakhstan banks and recapitalization of the banking sector;
- the increase in domestic sources of savings;
- consolidation of the banking sector;
- improving the competitiveness of Kazakhstan's economy and changing the role of Kazakhstan in the formation of the global financial architecture.

Thus, the conclusion about the need to develop the financial architecture and its instruments in Kazakhstan is very reasonable, only then Kazakhstan will improve its financial performance and reach the world level.

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## **INFLATION AND THE ROLE OF ANTI-INFLATION POLICY IN KAZAKHSTAN**

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The problem of inflation occupies an important place in economics, since its indicators and socio-economic consequences play a serious role in assessing the economic security of a country. In terms of inflation, there is a depreciation of money, which is manifested in relation to goods, gold, and foreign currency.

Accordingly, inflation is manifested in the sphere of circulation, but its root cause is disproportion in the reproduction process. Therefore, the state of monetary circulation in the country can be considered a barometer of its economic and political life.

It should be mentioned that, inflation is a long-term process of lowering the purchasing power of money, 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. Regardless of the state of the monetary sphere, commodity prices may change due to increased labor productivity, cyclical and seasonal fluctuations, structural shifts in the reproduction system, monopolization of the market, government regulation of the economy, introduction of new tax rates, devaluation and revaluation of the monetary unit, changes in market conditions, the impact of foreign economic relations, natural disasters.

Therefore, inflation is caused by monetary and structural reasons:

- monetary: the discrepancy between money demand and the mass of commodities, when the demand for goods and services exceeds the size of the goods 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 reasons: the deformation of the national economic structure, expressed in the lag of development 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 payments.

Macroeconomic inter-sectoral imbalance causes structural inflation. Among the institutional causes of inflation can be identified reasons associated with the monetary sector, and the reasons associated with the organizational structure of markets. In general, this set of reasons is as follows:

- monetary factors: the unjustified emission of money for the short-term needs of the state; financing the budget deficit;

- 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;

- 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, a trade deficit and inflation.[1]

Obviously, not every price increase is inflation, therefore, it is especially important to single out truly inflationary reasons for price growth. Thus, the rise in prices associated with cyclical fluctuations in the situation cannot be considered inflationary.

It should be noted that, the most important inflationary reasons for rising prices include the following:

1) the lack of proper control over the money supply and the unjustified emission of paper money. This inevitably leads to the appearance on the market of money supply, not provided with goods. As a result, commodity prices begin to rise in all markets, creating the basis of the inflation process;

2) disproportionality – an imbalance in government spending and revenues, which is expressed in the state budget deficit. Financing of the latter by means of loans in the National Bank, that is, uncontrolled issue of money, which inevitably leads to an increase in the mass of money in circulation.

The negative social and economic consequences of inflation force governments of different countries to pursue certain economic policies. Anti-inflationary policies include a rich assortment of a wide variety of monetary, budgetary measures, tax measures, stabilization programs, and actions to regulate and distribute income. A very important condition for anti-inflationary policy is the independence of the government from pressure groups, so anti-inflationary measures should be carried out consistently and carefully, as indicated by the President of the Republic of Kazakhstan in his report.[2]

It is important to note that the main way to fight inflation should be aimed at its underlying causes. First of all, the objectives of anti-inflationary policy:

- reduction of inflationary potential
- predictability of inflation
- reduction of inflation
- price stabilization

The strategic goal of anti-inflationary policies is to bring the growth rate of the money supply in line with the growth rate of the commodity supply (or real GDP) in the short run, and the volume and structure of aggregate supply with the volume and structure of aggregate demand in the long run. To solve these problems, a set of measures should be implemented for crossing and regulating all three components of inflation: demand, costs and expectations.

One of the most effective tools for overcoming the crisis is the monetary policy of the state. This approach is recommended by supporters of monetarism. Monetary regulation that indirectly and flexibly affects the economic situation comes to the fore. If fiscal policy measures are directly aimed at the wealth market, then when conducting a monetary policy, the object of regulation is the money market. The essence of monetary policy is to influence the economic situation through a change in the number of money in circulation (issue). In market-type economies, central banks affect inflation indirectly using various instruments, and the effect of monetary policy measures does not immediately affect, but with certain time benefits that vary in different countries and in different conditions.

Traditional monetary policy instruments affecting the size and structure of the money supply are:

- Operations on the open securities market;
- Interest rate or discount policy;

- The rate of mandatory reservation;
- Monetary policy (currency regulation);
- Inflation Targeting.

The currency issue of the Central Bank usually carries out through the acquisition of any assets already functioning in the economy: the currency channel of the issue, the stock channel of the issue, the credit channel of the issue. The credit channel of emission is dangerous in that it excludes the actual assessment of funded projects, which is carried out through the mechanism of the stock market. To overcome the inconsistencies ("overheating" of the economy) can be mainly monetary methods that affect the economy as a whole mainly by compressing the money supply, which is not always possible to clearly implement.

Inflation in Kazakhstan has specific features related to the specifics of the republic in the economic and social aspects of development in the pre- and post-Soviet period. First of all, it develops in a situation of a sharp decline in production. Another feature of inflation in Kazakhstan is that it arose from a state of "repressed" inflation, when the prices of goods and services were artificially low, but there was a significant shortage. The state of "suppressed" inflation creates an outward appearance of macroeconomic equilibrium, supported by methods unacceptable for a normal economy – total subsidies for unprofitable industries. The process was accompanied by the accumulation of significant funds from enterprises, organizations, the public, for which it was impossible to purchase products for industrial, technical and consumer purposes. At its core, this is demand inflation, i.e. the increased demand of economic agents and the population could not be satisfied from the supply side.

Currency and monetary policy, especially the world one, are too important for any country to neglect it and allow its definition to belong to only one country, even if such a country is the United States. The fact is that the exchange rate policy in relation to the American dollar can be pursued in the interests of the United States, since it is the currency of this country. Indeed, as M.Tetcher wrote, "the right to issue currency and manage it is a fundamental attribute of sovereignty. Sovereignty, in turn, is a necessary, although not sufficient condition for the preservation of freedom and democracy." [3] Therefore, it is impossible to think that the US Fed does not affect the exchange rate, does not conduct exchange rate policy, because without this, any country cannot pursue its own economic policy. The United States cannot but pursue an economic policy that meets its own interests, in order not to infringe upon the interests of the rest of the world and thereby become a "universal benefactor", a "breadwinner". The exchange rate is influenced by various factors, including speculative ones, thereby affecting exports and imports, and through them inflation and unemployment. In such cases, the monetary authority of the United States will certainly intervene in changes in the exchange rate in order to compensate for the effects of such influence. In other words, the United States in such cases will intervene in foreign exchange markets, even though the dollar is floating. Flexible exchange rates in general do not exclude interventions in the foreign exchange markets at the right time in the required volume.

However, this may have a detrimental effect on the economies of the rest of the world and on the world economy as a whole. Moreover, such an impact will inevitably lead to a change in such important components of the economy as export and import of balance sheet accounts, rising inflation and unemployment.

Thus, only a single global reserve currency can meet the interests of all countries of the world, at least by minimizing the harmful effects of the monetary policy of an economically powerful country of the world, such as the United States. That is why N.A. Nazarbayev thoroughly and reasonably proposed the need to introduce a single global reserve currency, taking into account the fact that now the global economy is dominated and will be dominated by the financial system with all its pluses and minuses and henceforth crises will certainly be financial and global [3].

The next feature is the raw nature of the national economy of Kazakhstan, which makes the domestic market for consumer goods dependent on foreign markets. In this case, inflation is generated by two components. First, the rise in prices of imported products due to customs duties. Secondly, the difference in cost and, accordingly, in the prices of raw materials, on the one hand, and finished consumer or investment goods, on the other. This factor is manifested through the state of the balance of payments of the state – its negative balance. Balancing is achieved through external loans, the sale of assets, and a decrease in the official foreign exchange reserves of the state. However, these measures violate macroeconomic stability in the economy, require large domestic investments of money to achieve economic stability and cause a new wave of inflation.

The development of inflation in Kazakhstan was promoted by the hasty implementation of such financial and social measures as the introduction of new taxes that cause the inflationary effect – value added tax with an initial rate of 28%, excise taxes, export and customs duties, and deductions from funds included in the cost of production to the Fund transformation of the economy, the State Fund for the Promotion of Employment, a sharp increase in social insurance contributions. The value added tax in countries with developed market

economies serves as a tool to curb excessive investment demand, switching it to consumer. This is necessary to prevent a crisis of overproduction. In Kazakhstan, the fall in investment demand, its additional reduction is due to the impact of the VAT, which further aggravated the problem of savings and is a factor in reducing investment in the national economy. [4]

Inflation could not affect the socio-economic situation in Kazakhstan. An essential feature of inflation is its reflection in the deformed state of the market in Kazakhstan, that is, the unreadiness of most structures of the single national economic complex to the perception of forms and methods of market self-government led to the opposite results expected in price ratios for certain types of goods and services. Allowing commercial activities to citizens, organizations and enterprises to achieve the speed of movement of goods, improve supply, meet market demand caused a riot of speculation, led to uncontrolled redistribution processes. This process has acquired a spontaneous, uncontrollable character, that is, the weakening of control by state bodies, ignoring legislation by commercial structures, etc.

- Political and psychological factors of inflation are associated with the behavior of the population, economic entities in relation to the situation in the state.
- Political instability, public mistrust of the government, political crises, uncertainty about the future violate the natural
- the functioning of monetary circulation leads to “flight” from money, which increases the demand for non-depreciating assets, foreign currency, and gold.

The psychological state of the “expected” inflation causes rush demand, the purchase of goods for the future, which creates a deficit and a corresponding increase in prices. An analysis of the causes and characteristics of inflation in Kazakhstan makes it possible to work out an appropriate deflationary policy, as well as an implementation mechanism, i.e. methods, methods, methods of counteracting inflation, to act in a complex and purposeful way on the centers of its occurrence.

The following conditions for overcoming inflation should be noted: the higher the level of inflation, the harder it is to fight it; all ways of reducing inflation are antisocial, i.e. painful for the vast majority of the population. The complex of measures to overcome inflation includes the impact on different sides of the production, economic, social, legal, institutional spheres of society, although the most crucial of them is the basic, production and economic.

Theoretically, it is possible to overcome inflation by stopping the credit issue, but in our conditions only at the cost of stopping production. A reduction in emissions, leading to a decline in production when critical values are reached in vital sectors of the economy or under pressure from certain social groups, forces the government to resume emissions, after which another price increase occurs. This process is consistently repeated: the lack of market competition at the micro level and the underdevelopment of the market environment leads to the emergence of inflationary waves. If such an economic policy is preserved only for the inclusion of automatic market mechanisms, the situation reproduces indefinitely and leads to the destruction of the economic potential of the country. The following method, anti-inflationary fiscal policy, which is carried out by increasing taxes, reducing government spending and, on the basis of this, reducing state budget deficits. Tax anti-inflation policy is to reduce the tax burden, especially indirect taxation. Another option for high taxes is their pressure on production, which limits supply. And third, a significant tax burden is usually associated with the effect of a multitude of taxes that complicate the tax system, which leads to tax evasion. Therefore, with inflation, a simple and reliable tax system is preferable.

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