MONEY AND ECONOMIC DYNAMICS IN UKRAINE: THEORY AND EMPIRICAL ASSESSMENTS OF THE RELATIONSHIP

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In the context of the impact on economic development, in economic science, for a long time, the prevailing view was that monetary policy should have a stabilizing role, rather than a structural function since monetary emission has a limited impact on fundamental factors. However, the practice has shown that today it is impossible to ignore the presence of long-term effects from monetary shocks.

The purpose of the article is to quantify the saturation of the domestic economy's money and analyse the influence of dynamics of money supply on the growth rate in order to test the hypothesis of non-neutrality of money in Ukraine in the medium and long-term.

Unlike those countries that have made significant steps towards accelerating economic development due to the active modernization of their economies, which, in turn, were supported by domestic financial resources, monetary support for economic dynamics in Ukraine is rather weak. The analysis of the dynamics of the indicator of monetization of the domestic economy in 2002–2016 indicates not only its low level in comparison with the countries of "economic miracle" but also the formation of a downward trend: the ratio of the monetary aggregate M2 and GDP decreased from 60.2% in 2014 to 46.3% in 2016. Among the reasons is that, despite the financial needs of the real sector, the National Bank of Ukraine (NBU) implements an inflation targeting policy that leads to a contraction of money in circulation.

A comparison of the actual and theoretically calculated estimates of money supply for Ukraine using the quantitative theory of money equation for the time period 2003–2016 showed that in the 2009 and 2015 crisis, the actual supply of money was less than the theory demanded (in two scenarios of calculations taking into account and ignoring changes in the velocity of money). According to the forecast of experts of the NBU, in 2018, the curve of the forecast value of the money supply will have a positive trend, indicating the expected sufficiency of money.

In order to empirically test the hypothesis of non-neutrality of money in the long-term time gap, econometric models are built in the Eviews 7.0, which testify that real money influences real GDP on the allocated 21-year interval. In the short-term, this condition is also influenced by global market factors. The conclusion about non-monetary neutrality is very important for Ukraine in the context of discussions about the role of monetary policy in supporting economic development.