

## MONETARY SYSTEM: NATURE AND TYPES

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**Abstract:** *This paper examines the historical problems of building the most effective monetary system. The most common principles of construction and types of monetary systems are described.*

**Keywords:** *Monetary system, types of money, paper money, credit money, monometallism, bimetallism.*

The structure of the monetary system is directly related to the economic and business system of any country. Through the prism of the principles of building a monetary system, one can judge the efficiency of the economy of any state or historical period. The origin of the first money presumably occurred in the period 7-8 thousand BC, at the time when primitive tribes developed economic specialization and surpluses of individual products that they wanted to exchange for other products. Historically, to facilitate exchange, shells, cattle, pieces of metal, salt, stones, cigars were used with varying success. But in order to serve as money, an object must gain general recognition from both sellers and buyers as a means of exchange.

Thus, we can say that money is determined by society itself. Everything that society agrees to use as a means of circulation is money.

An integral and relatively independent part of a country's monetary system is its currency system.

The monetary system contains the following basic elements:

The price scale is the weight of gold fixed in the monetary unit of the country. With the cessation of the exchange of credit money for gold, the price scale has practically lost its economic meaning.

A monetary unit is a legally established monetary sign used to measure and express the prices of all goods and services.

In the modern world, the monetary systems of countries include the following elements:

Types of money that act as legal tender are mainly represented by credit bank notes and paper money (treasury notes). For example, in the USA the following are in circulation: bank notes in \$1, \$2, \$5, \$10, \$20, \$50 and \$100. Copper-nickel and silver-copper coins of \$1 and 1, 10, 25, 50 cents.

A monetary unit is a monetary sign established by law, used to express prices for all goods. A monetary unit is usually divided into parts. Most countries use a decimal division system.

Security of monetary signs. Usually, monetary signs have the following security: gold and precious metals, commodity and material assets; foreign currency; insurance policies; securities, etc.

Price scale - is considered as a means of expressing the value of goods through the weight content of metal in the selected monetary unit. At present, it has lost its economic significance, since credit money has no intrinsic value and cannot express the value of other goods.

Emission system — the legislatively accepted procedure for the issue and circulation of banknotes. The implementation of emission operations (issue and withdrawal of money supply from circulation) is carried out by such bodies as:

- the central (emission) bank, which has a monopoly on the issue of banknotes;
- the treasury — a state executive body that issues paper money (treasury notes and coins). In developed countries, they account for about 10% of the total issue of cash.

Banknote issue - this operation is carried out by the central bank. There are 3 main ways: providing loans to credit institutions in the form of rediscounting commercial bills; lending to the treasury against government securities; issuing banknotes by exchanging them for foreign currency.

The mechanism of monetary regulation - is a set of monetary regulation tools; the rights and obligations of the bodies implementing monetary regulation; the tasks and objects of monetary regulation.

The type of monetary system is determined by the form in which money functions - as a commodity or as a sign of value. In this regard, it is customary to distinguish the following types of monetary systems:

- metallic monetary systems, in which the monetary commodity itself directly circulates and thereby performs all the functions of money, and the issued credit money is exchanged for metal;
- non-metallic monetary systems based on the circulation of credit and paper money, exchange for metal, which is not provided.

Metallic circulation systems:

Bimetallism is a monetary and financial system in which the role of the universal commodity equivalent was assigned to two precious metals - gold and silver. This system provided for the free minting of coins from both types of metal.

Bimetallism was widespread in Europe in the 16th - 18th centuries. However, the functioning of 2 types of metals as a universal commodity equivalent contradicted the very nature of money. The relationship between the two currencies was legislatively

fixed and usually did not correspond to their market value, and the dual price system caused the violation of the established price proportions.

Monometallism is a monetary system in which one metal serves as the universal commodity equivalent. However, other signs of value that can be exchanged for gold (treasury notes, banknotes, small change) may also be present in circulation.

The collapse of gold monometallism occurred during the global economic crisis of 1929-1933. Since the 1930s, monetary systems based on non-convertible credit money have begun to actively function in the world.

Modern monetary systems of developed countries have their own characteristics; however, they all have common features. First of all, these include the principles of organizing the monetary system. The principles of the modern monetary system include the following key principles:

- forecast planning of money circulation. The significance of the principle is that both decentralized and centralized plans for money circulation and its parts are not developed in the form of directive plans that are mandatory for execution by specific bodies.

- centralized management of the monetary system. This principle is also inherent in the monetary system with the administrative-command model of the economy.

- credit nature of money emission. According to this principle, the emergence of new banknotes (cash or non-cash) in economic circulation occurs only as a result of credit operations by banks.

The monetary system of any state (commonwealth) is based on several basic principles. One of the key principles is the presence of a centralized regulatory body. Regulation by the state is characteristic of both the administrative-command system and the market system.

State monetary systems are characterized by planning and forecasting of money circulation. The monetary system must be flexible and meet the needs of the economy.

Money emission in modern conditions is of a credit nature, i.e. banknotes and non-cash money appear in money circulation only as a result of credit operations by banks. The credit nature of money emission is ensured by special mechanisms: the central bank issues loans to commercial banks, and commercial banks, in turn, issue loans to enterprises. The issuance of such loans necessarily occurs on the terms of urgency, payment and repayment of the funds provided.

The classification of monetary systems of individual states is usually carried out according to various key characteristics: by the role of the state in regulating money circulation by the type of money as a form of payment means of payment, etc. Different countries use different monetary systems, and each monetary system has its own characteristics.

The monetary system of Uzbekistan is currently in the stage of active development. In this case, an analysis of the monetary systems of leading Western countries helps to identify the differences between the Western market model and the Uzbek model. The analysis also allows us to identify positive innovations and avoid mistakes made earlier by monetary systems with a more developed economy.

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