

ABSTRACTS

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ROLE OF MACROECONOMIC FACTORS OF EXCHANGE RATE UNDER WORLD FINANCIAL INSTABILITY

It's a well known fact that in the last two decades different sectors of the world economy had been affected by financial crisis or financial instability.

Such macroeconomic factors as exchange rates and interest rates play an important role in developed and developing countries during the financial instability. There are examples when governments could not control these macroeconomic factors anymore, and as a result, the level of standard of living decreased dramatically. That's why the question about how to find a new way for government to control exchange and interest rates is one of the most popular topic in global economic development.

Governments of some countries in Europe are suffering because of the debt, which they created during the economy boom or through deficit. Consequently, these situations generate financial problem for the Euro zone. For instance insurance cost of Irish, Greek and Spanish debt against default increased to a record level. Economics have offered various grounds for fixing or floating exchange rates in developing countries.

However, according to many economists, this is not the measure that should be applied internationally. Economics with a fixed and a floated exchange rate regime is the reason of the current crisis

The article identified five main principles to ensure the functioning and effectiveness of the financial system, such as: equal conditions; preventing currency speculation; stand symmetrical response; multilateral code of conduct; World organization system/ Each point was analyzed in detail in the article.

The article also gives lots of factors that explain that the world financial system should be changed dramatically. Despite the fact that Ukraine does not take part in the meetings of leaders of world power, which is called G20, we already can see some outlines of the future financial system with a new world currency and intergovernmental regulation of interest and exchange rates. Consequently, the government and the national bank of Ukraine can now start preparing for such system. Ukraine even can play a more important role in the new system of IMF, national banks and other international monetary institutions that exist now.