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The Meaning and Essence of the Concept of National Currency

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Abstract: *Currency (Italian "valuta", Latin "valere" - value, value) – 1. The currency of the country and its type (gold, silver, paper); 2. Currencies of foreign countries used in international transactions, as well as credit and payment documents (bills, checks, banknotes, etc.) expressed in the currency of these countries and used in international settlements. Until the 19th century, silver currency or bimetallism monetary system was widespread in most countries. From the 19th century, first in England, then in other countries, gold currency began to be used. Since the 70s of the 20th century, paper currency, that is, banknotes and paper money that cannot be exchanged for gold and silver, has appeared. They are exposed to inflation and depreciate, as a result of which the state conducts devaluation measures.*
Key words: *Currency, foreign countries, monetary system, international transactions, paper money, gold currency, exchange, inflation.*

Currencies with a stable exchange rate are called high-value currencies. Currencies are divided into freely convertible (can be exchanged for any foreign currency in unlimited amounts, freely transferred to any country), partially convertible (currency exchange is limited to one or another owner, one or another currency operations), non-convertible (valid within one country). International payment transactions are performed with freely convertible currency or freely convertible currency at the exchange rate set by the International Monetary Fund. The International Monetary Fund includes the US dollar, the Canadian dollar, the currencies of the European Union countries, the Swiss franc, Sweden, Japan, and a number of other countries into a currency that is freely exchangeable for the currency of any country.

Currency can be applied to:

- monetary unit used to measure the value of goods;
- Currency accepted in the country, currency symbols of foreign countries;
- Credit instrument in the form of transaction and payment (promissory note , check).

In special literature, 3 k forms of currency are distinguished:

- National currency
- World currency
- Regional currency.

National currency is a currency issued by a specific country (state central bank). First of all, it is used in foreign trade and international settlements, depending on the capacity and condition of the country. National currency is the official monetary unit issued and regulated by the central bank of the country. It is a legal tender accepted for transactions within the country's borders. National currency is an important component of a country's economy because it facilitates trade, investment and economic growth. It is issued and regulated by a country's central bank or monetary authority and is used as a medium of exchange for goods and services, as well as to pay debts and taxes.

The essence of the national currency concept lies in its ability to facilitate trade and commerce within the country, to provide a universally recognized common unit of exchange. It also serves as a store of value, allowing individuals and businesses to store and invest their wealth in a stable currency. The national currency is an important symbol of the country's economic sovereignty and reflects its economic power, stability and reliability in the world financial system. It can also affect trade relations with other countries, as changes in exchange rates can affect the competitiveness of exports and imports. It is a crucial component of a country's economy, and its value and stability are essential to stimulate economic growth and development.

The value of the national currency is determined by various factors, including the country's economic performance, political stability, and international trade activity. The exchange rate of the national currency against other currencies is also an important factor affecting its value and purchasing power. The national currency system is a component of the country's monetary system, and does not appear as the core of currency relations, but determines the order of organization of these relations only by legislative acts. Such a procedure for the organization of currency relations includes, first of all, defining the elements of the currency system.

The elements of the national currency system determined by law include:

1. National currency and its name;
2. Determination of national currency parity;
3. National currency conversion conditions;
4. The regime of the national currency exchange rate;
5. Regulation of the use of international credit instruments (regulation);
6. Determination of the ratio between the components (components) of international reserve assets;
7. Regulation of the country's international accounts (regulation);
8. Mode of activity of the national currency and gold markets;
9. Procedure for establishing currency restrictions;
10. The status of national bodies serving and coordinating currency relations.

The sum of the above elements is a currency mechanism established by the state to implement international currency-credit and settlement relations.

The national currency and its name are the basis of the national currency system, which is defined by law as the monetary unit of the state. National money used in international economic relations becomes currency. Foreign currency is usually used in international calculations, that is, units of money with the status of freely circulating currency of other countries. The concept of currency is connected with these units of money. Foreign currency is any means of payment in foreign currency. Foreign currency is traded on the foreign exchange market, used in international settlements, kept in bank accounts, but is not considered a legal tender in the territory of this country (except for periods of strong inflation). In the case of strong inflation and crisis in the country, the national currency is replaced by a relatively stable foreign currency, in modern conditions it is the US dollar and the Euro.

The "Currency" category ensures the interaction and relations of national and world economies. Determination of national currency parity. Currency parity is a legally established ratio between two currencies. During the period of monometallism (gold or silver), the basis of the exchange rate was the coin parity. Currency parity is the comparison of currencies of different countries according to their metal content. The concept of coin parity corresponds to the concept of currency parity. During gold

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monometalism, the exchange rate was based on gold parity. In this case, currencies were compared with each other according to the amount of official gold on the ground. Under these conditions, the exchange rate fluctuated around this gold parity, within the limits of gold points, on an irregular basis. The classical mechanism of gold points was valid in the presence of 2 conditions, i.e. free trade of gold and its free export in unlimited quantities. The exchange rate fluctuation limits were determined by the cost of gold exportation and in practice did not exceed 1% of parity. The costs of taking gold abroad include freight, insurance, interest on capital losses, assaying and other such costs. With the abolition of the gold standard, the mechanism of gold points ceased to operate.

Under the conditions of credit money not exchangeable for gold, the exchange rate gradually began to move away from gold parity, as gold was squeezed out of circulation and into the treasury. Until the mid-1970s, the basis of the exchange rate was the gold capacity of the currencies, that is, the official price scale and gold parities. Official currency rates and gold parities were recorded by the International Monetary Fund after World War II. The measure of the exchange rate of currencies was the official price of gold expressed in credit money. This price, together with the prices of other goods, served as an indicator of the level of depreciation of national currencies. As a result of the significant deviation of the official price of gold recorded by the state from its real (market) value for a long time, the artificial character of the gold parity increased.

In 1934-1976, i.e. for 40 years, the price scale and gold parity were determined based on the official price of gold. This rate was set by the US Treasury at $35 per ounce of gold in 1934 and remained unchanged until the devaluation of the dollar. As a result of the devaluation, the official price of gold rose to $38 in December 1971, and to $42.22 in February 1973. In the Bretton Woods currency system, under the dominance of the US dollar standard, the US dollar served as the basis for calculating the exchange rates of other countries' currencies. At the same time, as a result of coordination by the state, the official price of gold in US dollars was significantly reduced and it was significantly different from the market price of gold. The market prices of gold were: in 1971 - 40.8 USD, in 1973 - 97 USD, in 1975 - 160 USD, in 1976 - 125 USD, in 1977 - 148 USD, in 1978 - 193.2 USD.

In 1971, the gold capacity of currencies and gold parities became a purely nominal concept as a result of the cessation of the exchange rate of the US dollar for gold based on the official value. The International Monetary Fund stopped publishing them in July 1975. As a result of Jamaica's currency reform, Western countries officially abandoned gold parity as the basis of exchange rates. Coin parity also lost its importance after official gold parities were abolished. In modern conditions, the exchange rate is based on currency parity. Currency parity is a legally defined ratio between currencies that fluctuates around that parity. According to the amended charter of the International Monetary Fund, the parities of currencies may be set in SDR or another international currency unit. From the middle of 1970, as a novelty, parities began to be determined on the basis of a basket of currencies. It is a method of comparing the weighted average exchange rate of one currency against a set of other currencies. The use of a basket of currencies instead of the US dollar reflects the trend of moving from a dollar standard to a multi-currency standard.

National currency conversion conditions. Conversion is the exchange of national currency for foreign currencies. National currencies according to the terms of conversion:

- freely convertible. In economically developed countries, there are no currency restrictions, and national currencies are freely convertible into foreign currencies. The concept of "freely used currency" was included in the newly revised charter of the International Monetary Fund

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(1978). The International Monetary Fund included the US dollar, German mark, Japanese yen, British pound, and French franc in this category. In reality, freely convertible currencies are the currencies of countries that do not have currency restrictions on current operations of the balance of payments (these are mainly developed countries and world financial centers that have formed or some countries that have undertaken the obligation not to introduce currency restrictions before the International Monetary Fund developing countries);

-partially convertible currencies exist in countries where currency restrictions are preserved, and the conversion of national currency into foreign currencies is somewhat limited due to the state economic policy ;

-divided into non-convertible (closed) currencies. In some countries, for political reasons, national currencies are not convertible into foreign currencies at all (North Korea, Cuba), that is, currency exchange is not allowed for resident and non-resident persons.

National exchange rate regime. The following exchange rate modes are available:

- fixed course regime. Based on its economic policy, the state can administratively determine the national currency exchange rate. For example, the regime of fixed exchange rates in Bretton Woods conditions;

- mode of courses that oscillates in small limits. In this case, the state, based on its economic interests, is interested in fluctuating the national currency rate within certain limits and achieves this goal using instruments of currency policy;

- regime of freely floating (oscillating) exchange rates based on changes in market supply and demand for currency and their various forms. An example of this is the regime of free floating exchange rates in the Jamaican currency system.

Regulation of the use of international credit instruments (regulation). Rules for the use of international credit instruments are implemented in accordance with the simplified International Standards. These international standards include the Geneva Bills of Exchange and Check Conventions. Determination of the ratio between the components (components) of international reserve assets. As mentioned above, international reserve assets consist of four parts (components), i.e. official gold and currency reserves of the country, accounts in international currency units, reserve position in the International Monetary Fund. Of course, in order to ensure the international liquidity of the country, a suitable ratio should be maintained between these components.

Regulation of the country's international accounts (regulation). Regulation of international settlements is carried out at the level of national and world currency systems on the basis of documentary letters of credit and simplified rules and fees for collection. The regime of activity of the national currency and gold markets, the regime of the currency and gold markets is an object of national and international coordination.

Procedure for setting currency limits. The presence or absence of currency restrictions depends on the state's level of economic development, economic and financial policy, and is an element of the currency system. Currency restrictions are introduced by the government on a legal basis in order to protect the interests of the national economy. Restrictions on operations with currency values are included in the object of interstate coordination through the International Monetary Fund. The status of national bodies serving and coordinating currency relations. It is an important institutional element of the currency system. We are talking about the activities of the national bodies that manage and coordinate the currency relations of the country (the Central Bank, the Ministry of Economy and

Finance, the currency control bodies in some countries). National currency legislation coordinates operations in national and foreign currency (ownership, import and export, trade) on the territory of this country.

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