

IMPLEMENTATION OF PUBLIC DEBT AND INFLATION IN THE UZBEKISTAN ECONOMY BASED ON INTERNATIONAL EXPERIENCE

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Abstract: This article analyzes the international experience of the interaction between public debt and inflation from both theoretical and empirical perspectives. The study examines the dynamics of public debt and inflationary processes in developed and developing countries, assessing the role of fiscal-monetary coordination in maintaining macroeconomic stability. International evidence suggests that the impact of public debt on inflation is not automatic or linear but depends on the method of deficit financing, the degree of debt monetization, central bank independence, and institutional quality. In some countries, fiscal dominance and excessive debt accumulation have intensified inflationary pressures, while in others, prudent debt management and credible monetary policy frameworks have helped contain inflation.

Keywords: Public debt, inflation, fiscal policy, monetary policy, fiscal dominance, debt sustainability, macroeconomic stability, international experience.

Annotatsiya: Mazkur maqolada davlat qarzi va inflyatsiya o‘rtasidagi o‘zaro ta’sirning xalqaro tajribasi nazariy va empirik jihatdan tahlil qilinadi. Tadqiqotda rivojlangan va rivojlanayotgan mamlakatlar misolida davlat qarzi dinamikasi hamda inflyatsion jarayonlar o‘rtasidagi bog‘liqlik o‘rganilib, fiskal va monetar siyosat uyg‘unligining makroiqtisodiy barqarorlikka ta’siri baholanadi. Xalqaro amaliyot shuni ko‘rsatadiki, davlat qarzining inflyatsiyaga ta’siri bevosita emas, balki byudjet taqchilligini moliyalashtirish usullari, qarzning monetizatsiya darajasi, markaziy bank mustaqilligi va institutsional sifat omillari orqali shakllanadi. Ayrim davlatlarda fiskal dominanta sharoitida qarzning ortishi inflyatsion bosimni kuchaytirgan bo‘lsa, boshqa mamlakatlarda qat’iy pul-kredit siyosati va samarali qarz boshqaruvi inflyatsiyani nazorat ostida ushlab turishga imkon bergan.

Kalit so‘zlar: Davlat qarzi, inflyatsiya, fiskal siyosat, monetar siyosat, fiskal dominanta, qarz barqarorligi, makroiqtisodiy barqarorlik, xalqaro tajriba.

Аннотация: В данной статье анализируется международный опыт взаимосвязи государственного долга и инфляции с теоретической и эмпирической точек зрения. В исследовании рассматривается динамика государственного долга и инфляционных процессов в развитых и развивающихся странах, а также оценивается роль согласованности фискальной и монетарной политики в обеспечении макроэкономической стабильности. Международная практика показывает, что влияние государственного долга на инфляцию не является автоматическим или линейным и зависит от способов финансирования бюджетного дефицита, степени монетизации долга, независимости центрального банка и институционального качества. В ряде стран фискальное доминирование и чрезмерный рост долга усиливали инфляционное



давление, тогда как в других странах эффективное управление долгом и жесткая денежно-кредитная политика способствовали сдерживанию инфляции.

Ключевые слова: государственный долг, инфляция, фискальная политика, монетарная политика, фискальное доминирование, устойчивость долга, макроэкономическая стабильность, международный опыт.

Enter

The relationship between public debt and inflation has become a central topic of global macroeconomic discussions in recent decades. Global inflation has also been volatile and volatile over this period. In 2023, global annual inflation remained high (the world average or median is around 6–7%), began to decline in 2024 as supply chain pressures eased and monetary tightening tightened, and in 2025, the IMF and other international organizations are predicting a continued slowdown in inflation (according to the IMF's WEO forecasts, global inflation is expected to peak in 2023 and gradually decline in 2024–2025).

However, international experience shows that the relationship between public debt and inflation cannot be explained by a simple linear relationship. For example, in some developed countries with high levels of public debt (Japan, etc.), inflation has remained low for a long time, because central banks are independent and monetary policy is sound. On the contrary, in developing countries, relatively low levels of debt are accompanied by high inflation - this situation is mainly due to differences in fiscal discipline, foreign exchange market stability and debt financing mechanisms. IMF and World Bank analyses confirm that the public debt-inflation relationship is multifactorial and depends on the institutional context.

Brief statistics for the last three years (2023–2025) (as a summary, according to international official sources):

General government gross debt (% GDP): global government debt levels (group-average) remained high in 2023–2024; in 2024, global total debt is around 235% (total — public + private), and the ratio of government debt to GDP by country is high in WEO data (with large differences by region).

Inflation (headline CPI, y/y %): Global inflation was at a high level in 2023, with the global average/median level being around 6–7%; inflation shifted to a downward trend in 2024 (IMF WEO and World Bank data indicate global inflation in 2024 to be in the range of 5–6%), and continued decline in 2025 (IMF 2025 forecast predicts global inflation to be around 4–5% again in 2025).¹

This study builds on the above statistical trends and focuses on the following questions: under what circumstances does the impact of public debt on inflation increase; what role does the source of debt financing (domestic vs. external, monetization vs. bonds) play; and how institutional factors (central bank independence, fiscal discipline, and financial market development) modulate variable outcomes. This approach links theoretical concepts (monetary, Keynesian, fiscal-dominant) with global empirical data to develop conclusions that inform policy recommendations.

Literature analysis.

The relationship between public debt and inflation has been widely studied in macroeconomics by various theoretical schools and scholars. Scientific views on this issue have

¹ https://digitallibrary.un.org/record/4065012?ln=en&utm_source=chatgpt.com&v=pdf



been formed mainly within the framework of monetary, Keynesian, neoclassical, and modern fiscal-monetary approaches.

The representative of the monetarist school, Milton Friedman, associates inflation primarily with the growth of the money supply and emphasizes that “inflation is always and everywhere a monetary phenomenon.” In his opinion, if government debt is financed by the emission of money, this creates excess liquidity and increases inflationary pressures. The monetarist approach explains the relationship between government debt and inflation mainly through monetary policy.²

John Maynard Keynes, the founder of the Keynesian school, views public debt as a means of regulating economic cycles. According to his theory, during a recession, increasing government spending through debt stimulates aggregate demand and restores employment. However, when the economy approaches full employment, fiscal expansion can increase inflationary pressures. Thus, in the Keynesian approach, the impact of public debt on inflation is interpreted depending on economic conditions.³

According to the Ricardo–Barro equivalence theory, advanced by Robert J. Barro, a representative of the neoclassical school, expenditures financed through government debt are offset by future tax increases. Under rational expectations, the private sector will increase savings and aggregate demand will remain unchanged. Therefore, it is argued that the impact of government debt on inflation can be neutral.⁴

The concept of "fiscal dominance" developed by Thomas J. Sargent and Neil Wallace plays an important role in modern fiscal-monetary interaction theory. According to it, if fiscal policy is dominant and the central bank is forced to finance the budget deficit, inflation may increase. This approach explains the relationship between government debt and inflation in terms of institutional factors.

Empirical studies also examine this issue from different perspectives. Stanley Fischer, Ratna Sahay, and Carlos A. Véghyquori analyze the inflation experience and argue that the monetization of budget deficits and uncontrolled debt growth exacerbate the inflationary spiral.⁵

Also, in the studies of the International Monetary Fund and the World Bank, the sustainability of public debt is assessed in relation to the rate of economic growth, interest rates, budget balance and institutional quality. International experience shows that public debt itself does not cause inflation, but its financing mechanism and the coherence of macroeconomic policies are of crucial importance.⁶

In general, the literature review shows that there is no single universal conclusion on the relationship between public debt and inflation. This relationship is interpreted as a complex and multifactorial process determined by the level of institutional development of the country, fiscal discipline, and monetary policy independence.

Methodology.

² Friedman, M. (1968). The Role of Monetary Policy. *American Economic Review*, 58(1),

17. JSTOR: <https://www.jstor.org/stable/1831652>

³ Keynes, J.M. (1936). *The General Theory of Employment, Interest and Money*.

<https://www.marxists.org/reference/subject/economics/keynes/general-theory/>

⁴ Barro, R.J. (1974). Are Government Bonds Net Wealth? *Journal of Political Economy*, 82(6), 1095–1117.

<https://www.journals.uchicago.edu/doi/10.1086/260266>

⁵ Sargent, T., & Wallace, N. (1981). Some Unpleasant Monetarist Arithmetic. *Federal Reserve Bank of Minneapolis Quarterly Review*.

<https://www.minneapolisfed.org/research/qr/qr531.pdf>

⁶ World Bank (2022). International Debt Report. <https://www.worldbank.org/en/programs/debt-statistics>



This study analyzes the relationship between global public debt dynamics and global inflation rates at the international level using theoretical and empirical approaches.

First, through theoretical analysis, the concepts of monetary, Keynesian, and fiscal dominance explaining the relationship between public debt and inflation are systematized. The monetization of debt, the level of fiscal discipline, and central bank independence are considered as the main conceptual factors.

Secondly, based on empirical-statistical analysis, the indicators of public debt (% of GDP) and inflation rate (%) for 2023–2025 were studied based on international databases - the International Monetary Fund (WEO Database) and the Organization for Economic Co-operation and Development. The indicators were compared between developed and developing countries.

Third, using dynamic comparative analysis, the phases of fiscal expansion, global inflationary shock, and monetary tightening during the pandemic were assessed in their interrelationships.

As a result, it was scientifically substantiated that the relationship between public debt and inflation is not directly linear, but is a complex macroeconomic process that depends on institutional quality, fiscal policy characteristics, and monetary management mechanisms.

Results and analysis

Along with the increase in public debt, global inflation has also become volatile. According to statistics from the World Bank and the Organization for Economic Co-operation and Development, inflation in OECD countries in 2022 reached 9-10 percent, one of the highest rates in the last decade. In developing countries, inflation in some cases reached 12-14 percent. In 2023, inflation showed a downward trend as a result of tight monetary policy.

However, international experience shows that there is no automatic or direct linear relationship between public debt and inflation. For example, in countries such as Japan, inflation has remained low for many years despite public debt exceeding 250 percent of GDP. Conversely, in some developing countries, monetary instability and fiscal imbalances have led to high inflation despite relatively low debt levels.

This situation shows that the interaction between public debt and inflation depends on institutional and political factors. If budget deficits are financed by debt and then monetized, inflationary pressures may increase. On the contrary, in countries with central bank independence and inflation targeting, an increase in public debt does not significantly accelerate inflation.

Also, external factors such as energy prices, logistics disruptions, and geopolitical conflicts play an important role in global inflation dynamics. The inflation jump in 2022 is explained more by supply-side shocks, which indicates that public debt itself is not the only cause of inflation.

In general, the relationship between the dynamics of world public debt and global inflation indicators is complex and multifactorial. International experience confirms that the impact of public debt on inflation is determined not by its size, but by the financing mechanism, the level of fiscal discipline, the independence of monetary policy and institutional quality. Therefore, balanced and coherent macroeconomic policies in public debt management are a key condition for sustainable development.

Table 1.

World public debt dynamics (% of GDP)



Years	World average	Developed countries	Developing countries
2023	93–95 %	110–112 %	65–70 %
2024	94–96 %	111–113 %	67–72 %
2025	95–97 %	112–114 %	68–73 %

The data provided is based on the International Monetary Fund's World Economic Outlook (WEO) Database and reflects the dynamics of global public debt relative to GDP over the period 2023–2025.

In 2023, global public debt was in the range of 93-95 percent of GDP, and in 2024-2025, this indicator is projected to gradually increase to 94-97 percent. This situation shows that, although public debt has relatively stabilized in the post-pandemic period, there is no clear trend of its reduction.

From a scientific point of view, this situation is explained by the slow progress of fiscal consolidation processes, the persistence of high government spending, and the insufficiently rapid economic growth rates. Thus, the reduction in the debt burden is directly related to the growth rates of GDP.

The level of public debt in developed countries is expected to be 110-112 percent in 2023 and increase to 112-114 percent in 2025. This high level is explained by the following factors:

- Long-term fiscal expansionary policy;
- High social obligations and debt service costs;
- Demographic pressure (aging process).

However, in developed countries, high debt levels do not automatically lead to a financial crisis due to the depth of financial markets and low risk premiums. However, in the context of global interest rate increases, debt servicing costs may increase, posing medium-term risks to fiscal stability.

Debt levels in developing countries are projected to increase from 65–70 percent in 2023 to 68–73 percent in 2025. While this increase is relatively moderate, the risk level for these countries is considered higher because:

- The share of external debt is often high;
- Exchange rate volatility is high;
- Interest rates are higher due to the risk premium.

Therefore, debt sustainability in emerging economies is directly related to institutional quality, fiscal discipline, and macroeconomic management effectiveness. The dynamics of the table show that public debt remains at a structurally high level in the post-pandemic period.



This situation creates the following trends in the global economy: Increased debt service costs in the context of rising interest rates. Reduced fiscal policy options (narrowing of fiscal space).

However, rising debt levels are not an automatic cause of inflation. If debt is financed through market mechanisms and not monetized, inflationary pressures can be limited. However, in a fiscally dominant environment, the support of debt by monetary expansion increases inflationary risks.

SCIENTIFIC CONCLUSION

The forecast dynamics for 2023–2025 show that global public debt remains high, but at a stable level. The main factor for debt reduction is fiscal discipline and acceleration of economic growth. Otherwise, the long-term maintenance of a high debt burden may negatively affect financial stability and economic development prospects.

Overall, this table scientifically confirms the high degree of structural consolidation of public debt dynamics in the post-pandemic period and the need for balanced fiscal management in global macroeconomic policy.

Table 1.

Global inflation rate (%)⁷

Years	OECD countries	Developing countries	The world is average
2021	5,2 %	7,8 %	4,7 %
2022	9–10 %	12–14 %	8,7 %
2023	6–7 %	8–10 %	6,8 %
2024	5–6 %	7–9 %	5,9 %
2025	4–5 %	6–8 %	4,8–5,2 %

The dynamics of global inflation over 2021–2025 clearly reflected the sharp macroeconomic changes in the world economy. According to the Organization for Economic Co-operation and Development and the International Monetary Fund, in 2021, against the backdrop of the recovery of post-pandemic demand, the inflation rate began to increase significantly. Inflation in OECD countries was 5.2 percent, and in developing countries - 7.8 percent. This process was associated with an increase in the imbalance between supply and demand in the global economy. Inflation reached its peak in 2022. Price growth in OECD countries reached 9–10 percent, and in developing countries - 12–14 percent. The average global inflation was 8.7 percent. This sharp jump is explained by the increase in energy and food prices, disruptions in supply chains, and geopolitical conflicts. Also, the large-scale fiscal and monetary stimulus measures implemented during the pandemic had an indirect impact on increasing inflationary pressures.

Since 2023, inflation has begun to show a downward trend. In OECD countries, inflation has fallen to 6–7 percent, and in developing countries to 8–10 percent. This process is associated with the tight monetary policy of central banks, an increase in interest rates, and a reduction in

⁷ OECD Inflation Data. <https://data.oecd.org/price/inflation-cpi.htm>



liquidity. In 2024, inflation decreased further, reaching 5–6 percent in OECD countries and 7–9 percent in developing countries. In 2025, global inflation is projected to stabilize at around 4–5 percent.

The analysis of this period shows that global inflation processes are cyclical and multifactorial in nature. Developing countries show higher sensitivity to inflation, which is explained by exchange rate instability and dependence on imports. In developed countries, institutional stability and central bank independence have allowed inflation to be contained relatively quickly.

In general, the dynamics of inflation in 2021–2025 is a vivid example of the interaction of shocks and monetary policy in the global economy. Inflation processes may be related to the dynamics of public debt, but their interaction is not direct. The main role is played by fiscal discipline, monetary policy firmness, and external economic factors. Therefore, a comprehensive and balanced macroeconomic approach is necessary to ensure price stability.

CONCLUSION

This study analyzes the relationship between global public debt dynamics and global inflation rates theoretically and empirically based on international experience. Data for 2018–2023 show that while public debt has increased sharply, especially during the 2020 pandemic, inflation processes have not developed in all countries according to the same scenario. This confirms that there is no automatic or linear relationship between public debt and inflation.

Empirical results show that the impact of public debt on inflation depends not on its absolute size, but on the financing mechanism and institutional environment. Despite high debt levels in developed countries, central bank independence and tight monetary policies have allowed inflationary pressures to be kept under control. On the contrary, in some developing countries, fiscal imbalances, exchange rate instability, and debt monetization have accelerated inflation.

The global inflation jump in 2022 is mainly explained by supply-side shocks from rising energy and food prices, logistics disruptions, and geopolitical factors. This suggests that public debt itself is not the only or main cause of inflation. In 2023, monetary policy tightening served to reduce inflation.

In general, the relationship between public debt and inflation is complex and multifactorial, determined by the quality of fiscal policy, central bank independence, the development of financial markets, and the level of institutional stability. Therefore, ensuring the harmony of a balanced fiscal strategy, effective debt management, and independent monetary policy in public debt management is a key condition for sustainable economic development.

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