WAYS TO IMPROVE THEORETICAL AND PRACTICAL FEATURES OF MONETARY POLICY

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Abstract

This article analyzes the theoretical and practical aspects of monetary policy in various countries around the world and identifies their specific features.

Introduction

The results of the study of the experience of developed countries show that the improvement of monetary policy will help to achieve price stability in the country, ensure the liquidity of the country's banking system and the stability of exchange rates of the national currency. This, in turn, plays an important role in ensuring the sustainable growth of the country's economy.

In this regard, the "Strategy for further development of the Republic of Uzbekistan" approved by the Decree of the President of the Republic of Uzbekistan PF-4947 dated February 7, 2017, the improvement of monetary policy using instruments used in international practice, as well as the gradual modernization of market mechanisms It is a very important and topical fact that the introduction of the first stage and ensuring the stability of the national currency is identified as one of the necessary conditions for further strengthening macroeconomic stability and maintaining high economic growth [1].

Literature Review

At the same time, I think it is appropriate to acknowledge the existence of pressing problems related to the improvement of monetary policy pursued by the Central Bank of the Republic of Uzbekistan and pending. One such problem is the imperfect practice of using monetary policy instruments.

The essence of this problem is as follows:

1. The Central Bank of the Republic does not have discount and pawn loans. This has limited the ability of the Central Bank to influence the liquidity of the banking system, the price of loans and the money supply through its refinancing policy.

2. The reserve requirements of the central bank are high, which has a negative impact on the strength and liquidity of the deposit base of commercial banks.

Since September 2009, the required reserve rates of the Central Bank of the Republic of Uzbekistan have been classified according to the terms of deposits of commercial banks in the following order:

* on demand deposits and attracted deposits for up to one year - 15%;

* for deposits from one to three years - 12%;

* 10.5% for deposits attracted for more than 3 years [2].

Despite the high reserve requirements of the Central Bank (as of January 1, 2017, the average reserve ratio of the Central Bank of Russia was 5.6%, and the reserve requirement of the European Central Bank was 2.0%) [3]., The amount of reserve allocations is deducted from the representative account of commercial banks "Nostro".

3. Lack of open market operations of the Central Bank of the country.

The Central Bank of the Republic of Uzbekistan recognizes only Government securities as objects of its open market operations. Government securities have not been issued since January 1, 2013, due to the fact that the state budget is executed with a surplus. As a result, the Central Bank's open market operations also ceased.

It should be noted that Government securities may no longer be issued. The reason is that the President of the Republic of Uzbekistan Sh.M. In his report to the enlarged session of the Cabinet of Ministers on the main results of socio-economic development of the country in 2016 and the most important priorities of the economic program for 2017, Mirziyoyev said that the state budget deficit should not be allowed. necessary. This is a strategic task that requires unconditional fulfillment, not discussion. "[4]

The results of the study of foreign experience show that along with government securities, other types of securities (corporate bonds, certificates of deposit of commercial banks, securities of the Central Bank) are used as objects of open market operations by the Central Bank.

Another pressing issue related to the improvement of monetary policy is the high growth rate of money supply.

Research Methodology

One of the traditional instruments of monetary policy is the reserve policy, and economists have differed on the importance of this instrument. The first among economists, L. Mizes proposed the establishment of a banking system based on a 100 percent mandatory reserve requirement [5]. M.Friedman also considered this instrument to be very important in terms of curbing the credit expansion of commercial banks and proposed to introduce a 100% mandatory reserve requirement for commercial bank deposits [6]. But M. Friedman does not admit that L. Mizes had previously suggested the use of 100 per cent reserve claims on deposits in his works.

Well-known American economist F. Mishkin has a negative opinion of the policy of compulsory reserve. In his view, mandatory reserve applications have many shortcomings. in particular, it can cause liquidity problems in banks [7].

Analysis and Discussion of Results

Admittedly, the required reserve rate is of great practical importance, as it allows to reduce the inflow of foreign currency into the country without devaluing the national currency. In particular, in 1979 the Bundesbank (Central Bank of Germany) introduced a mandatory reserve requirement at 80% of the growing share of foreign currency deposits in the country's commercial banks, preventing the devaluation of the German mark against the US dollar and other leading currencies. provided a reduction in flow [8]. At that time, the inflow of foreign currency into Germany was strong, which posed a risk of a sharp rise in the value of the national currency.

Although the monetary aggregate M2 is controlled by the Central Bank of the Republic of Uzbekistan, the growth rate of money supply remains high. In 2015, the annual growth rate of money supply was 22.1%. For comparison: in 2015, the annual growth rate of money supply on the monetary aggregate M2 was 11.5% in the Russian Federation [10].

In our opinion, in order to improve the monetary policy of the Central Bank of the Republic of Uzbekistan in the context of deepening structural changes in the economy, it is expedient to take the following measures:

1. In order to ensure the effectiveness of the refinancing policy of the Central Bank, first of all, it is necessary to establish the practice of issuing centralized discount and pawn loans; secondly, it is necessary to ensure the continuity of direct lending to commercial banks by the Central Bank (overdraft, daily, term loans).

Overdraft loans of the Central Bank are issued to solve the problem of lack of funds in the correspondent accounts of commercial banks in the national currency "Nostro". Daily loans are issued within one business day.

2. It is necessary to increase the ability and liquidity of banks to pay interest on time deposits by reducing the base rate of mandatory reserve applications of the Central Bank (15%) and leaving the amount of the reserve application in the correspondent accounts of commercial banks "Nostro".

3. It is necessary to establish open market operations of the Central Bank at the expense of securities (certificates of deposit, bonds) of commercial banks and enterprises with a high credit rating of international rating agencies (at least VVV rating).

It is also necessary to create the necessary conditions for this. For example, commercial banks must have confidence in the Central Bank, as a monetary institution. In addition, the real value of securities should not decline under the influence of inflation and the devaluation of the national currency.

4. It is necessary to ensure price stability in the country through the introduction of inflation targeting, while maintaining the current procedure for controlling the growth rates of the monetary aggregate M2. Initially, the inflation target should be taken as a definite level and initially set for a period of one year. Once the inflation target is achieved, the inflation target should be set for another three-year period.

Conclusions and Suggestions

The Central Bank of the Republic of Uzbekistan must announce the inflation target after obtaining the consent of the Government to support it. This is due to the fact that the rise in prices for products and services of natural monopolies in our country plays an important role in generating inflation. The central bank has no authority to interfere in the pricing policy of natural monopolies. Their valuation policy can be regulated by the Government.

In our opinion, certain conditions must be met for the successful implementation of inflation targeting. One of these conditions is that after the introduction of inflation targeting, some indicators should not be used as indicators of monetary policy.

According to IMF experts, there must be two conditions for using the inflation target as an indicator of monetary policy. First, the Central Bank must be able to pursue an independent monetary policy. The central bank should have the right to freely choose monetary instruments to achieve the inflation rate that the government deems acceptable. The requirements of fiscal policy in the country should not be considered as a priority in the development of monetary policy. In other words, there should be no concept of 'budget hegemony' in the country. Second, in order for the inflation target to be selected as an indicator, it is not necessary to set targets on wage growth, employment rate and exchange rate. This is due to the fact that the determination of the exchange rate of the national currency against foreign currency forces the Central Bank to adjust its monetary policy to meet this indicator. This, in turn, does not allow the Central Bank to freely and fully use monetary instruments to ensure the inflation target. As a result, there is a two-sided, contradictory nature in the content of the tactical goals of monetary policy.

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