Academicia Globe: Inderscience Research

ISSN: 2776-1010 Volume 3, Issue 3, Mar, 2022

SOME USING QUESTIONS INSTRUMENTS OF MONETARY POLICY

Shomurodov Ravshan Tursunkulovich
Candidate of Economic Sciences, Associate Professor,
Department "Finance-Credit", Tashkent institute of Finance, Tashkent city, Uzbekistan.
E-mail; r.shomurodov@mail.ru

Ochilov Bobur Bakhtiyorovich
Independent researcher Department "Finance-Credit",
Tashkent institute of Finance, Tashkent city, Uzbekistan.
E-mail; ochilov696@mail.ru

Annatation
This article the analysis essence, characteristics, disadvantages and advantages, issues of direct and indirect instruments of monetary policy in the foreign countries. Also, the actual issues of modern monetary policy are considered, scientific conclusions are formulated of the authors.

Keywords: monetary policy, inflation, broad money, direct instruments, interest rates, indirect instruments, exchange rate, price stability, budget deficit, monetary base.

Introduction
In developed countries, especially in the USA, Japan and Germany, as well as other foreign countries, vast experience has been accumulated in the development and use of various effective models and instruments of monetary policy. Therefore, at present, indirect instruments of monetary policy are widely used in world economic practice. These include - open market operations, discount policy, mandatory reserve requirements, REPO operations, refinancing of commercial banks, pawnshop mechanism, currency swaps, overnight loans, credit auction and others. These tools allow central banks to implement an effective monetary policy that contributes to price stability and economic growth, strengthening macroeconomic and financial stability. It should be noted that various macroeconomic and financial problems, epidemics, pandemics, as well as individual economic and financial crises were observed in the global economy. To solve these problems, the government of each country developed and implemented a program of macroeconomic stabilization of the economy.
Currently, under the influence of the consequences of the COVID-19 pandemic, a number of macroeconomic and monetary problems have not found their scientific and practical solution in almost all countries of the world. In particular, the uneven growth of the money supply, the growth of unemployment, external debt, the state budget deficit and the balance of payments deficit, the decline in export potential, and unstable economic growth. The solution of these complex interrelated problems depends on serious measures and economic stabilization programs of the governments of developed countries.

ISSN: 2776-1010 Volume 3, Issue 3, Mar, 2022

Analysis and Discussion of Results

A study of the economy, monetary and fiscal policy, and the financial system of developed countries shows that the problems of a financial and macroeconomic nature in the world economy were cyclical. In our opinion, these problems will appear to varying degrees depending on the change in the world situation, the weakening and violation of financial discipline in relations between countries.

Also, an analysis of the economies of developed countries shows that monetary policy plays an important role in ensuring price stability, national currency, economic growth, macroeconomic and financial stability. By ensuring price stability, monetary policy creates conditions conducive to economic growth, strengthening macroeconomic and financial stability in the country.

Objectively, it should be recognized that today not the full potential of monetary policy and banking regulation is used in practice, the underdevelopment of methods and tools, transmission mechanisms that ensure the proper operation and effectiveness of monetary instruments complicates the achievement of the set goals [1].

Improving the methods and tools of monetary policy makes it possible to ensure the stability of prices, the national currency, interest rates, liquidity of the banking system and the money market, economic growth, and thereby contributes to increasing the stability of macroeconomic and financial stability.

However, for this it is necessary, firstly, to study the best foreign experience and substantiate the possibility of its use in the practice of Uzbekistan; secondly, to identify problems associated with improving the practice of using the methods and tools of monetary policy; thirdly, to analyze the possibilities of increasing the independence of the Central Bank and the effectiveness of monetary policy.

The issues of improving the monetary policy were investigated, and the corresponding conclusions were formulated in the scientific works of such foreign scientists-economists as: J. Keynes, M. Friedman [2], I. Fisher, J. Tobin, E. Dolan, O. Lavrushin [3], Martin Bodenstein [4], Itai Agur [5], Navoi A., Kosoy A., Beloglazova G., Van Hoose D, Keynes J., Abramova M., Lavrushin O., Afanas'eva O., Smirnova O. ., Miller R, Moiseev S, Jesus W., Mishkin F. [6].

For example, S. Moiseev in his scientific works analyzed such topical issues of monetary policy as ensuring the stability of the national currency, targeting the money supply and inflation target and formulated the appropriate conclusions.

Separate theoretical and practical aspects of monetary policy are reflected in the scientific works of Uzbek scientists-economists - A. Vakhabov [7], A. Omonov, T. Koraliev, B. Dushaev [8], O. Namozov [9], T. Bobakulov [10], R. Shomurodov [11].

For example, O. Namozov proposes the introduction of inflation targeting as a mandatory condition for strengthening the monetary system. R. Shomurodov was the first among the scientists of Uzbekistan to study the instruments of monetary policy, singling them out into direct and indirect instruments. And also, revealed their essence, features, advantages and disadvantages. B. Dushaev proposes to improve the regulation of the money supply by developing the practice of using monetary policy instruments.

It should be noted that in order to ensure sustainable economic growth and financial stabilization in the economy in the late 70s and early 80s of the last century, industrialized countries gradually

ISSN: 2776-1010 Volume 3, Issue 3, Mar, 2022

abandoned direct instruments of monetary policy. In particular, (including credit controls, interest rate limits, and sometimes the provision of directed loans) and moved to (market) indirect instruments such as open market operations, bill rediscount arrangements and reserve requirements.

Because, at this time, the industrialized countries gradually accumulated a lot of interconnected macroeconomic and financial problems. Keynesian theory failed to find an answer to these macroeconomic problems. Instead, on this theory, a new one was published - Neo-Keynesian theory - monetarism, based on the regulation of the supply and demand of money on the basis of monetary policy instruments. While both developed and developing countries were dominated by huge budget deficits, moreover, the uneven growth of the money supply caused price volatility and economic growth instability (See Figure 1).

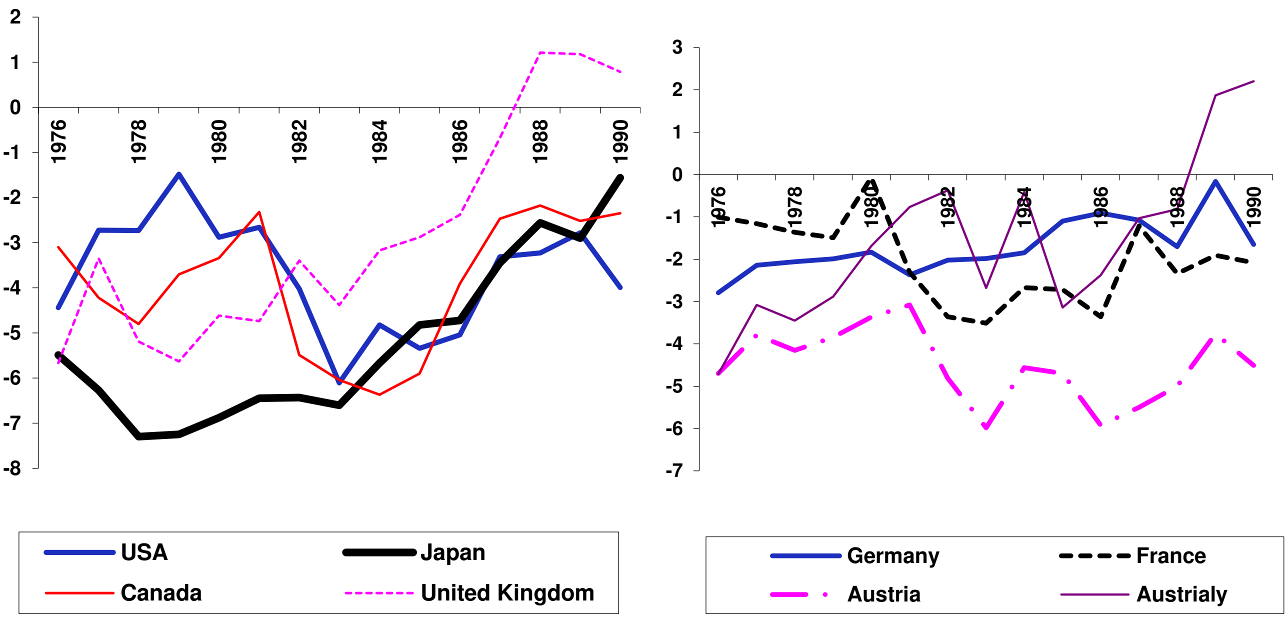

Figure 1. Dynamics of the budget deficit in developed countries, in % of GDP for 1976-1990

Figure 1 shows that the situation in the public sector for more than 14 years, from 1976 to 1990, deteriorated noticeably. This put pressure on monetary policy by creating an imbalance between the supply and demand of money through covering the budget deficit through loans from the Central Bank. Consequently, these factors have caused uneven growth in the money supply in developed countries (See Fig. 2).

Academicia Globe: Inderscience Research
ISSN: 2776-1010 Volume 3, Issue 3, Mar, 2022

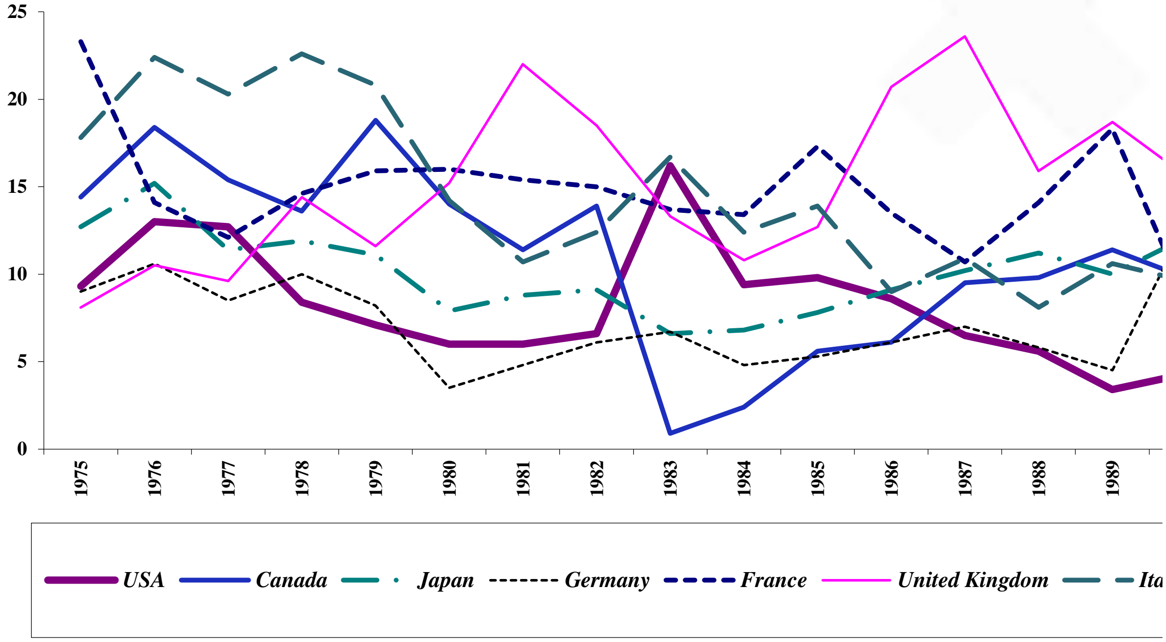

Figure 2. Growth rates of the money supply in developed countries, in%, from 1975 to 1990

Figure 2 shows that the uneven growth of the money supply is clearly visible.

It should be noted that in order to get out of the difficult macroeconomic and financial situation, these countries have developed and implemented a number of programs for macroeconomic and monetary stabilization. It should be noted that it took 15 to 20 years to stabilize the economy. For the most part, these countries have recently achieved macroeconomic and monetary stabilization.

Also, indirect monetary policy instruments have a number of specific advantages:

- They allow a much more flexible conduct of monetary policy;
- Free the process of distribution of financial resources from government intervention
- Contribute to the development of financial markets and the effective performance of an intermediary role by financial institutions;
- Serve to increase the efficiency of capital investments and increase the volume of financial savings.

It should be noted that indirect monetary policy instruments allow Central Banks to improve the effectiveness of monetary policy. This can be seen in ensuring the stability of the national currency and prices, achieving economic growth, macroeconomic and financial stability.

Foreign academic economists Itai Agur and Maria Demertz in their research in 2019 on the impact of interest rate policy on macroprudential policy, in particular, ".... lowering the interest rate worsens financial stability" [12]. In this study, scientists emphasize the negative impact of cheap money policies on financial stability. But in practice, a policy of expensive money was also used to achieve macroeconomic stability.

ISSN: 2776-1010 Volume 3, Issue 3, Mar, 2022

Also, foreign scientists, economists Martin Bodenstein and Zhunzu Zaho, in a study published in 2019 in a scientific article entitled “Labor, wages and optimal monetary policy” on the relationship and impact of labor, wages and inflation, in particular, say: “Stabilization of inflation and wages fees with optimal policies reflect the high costs associated with public welfare and small fluctuations in imperial patterns” [13]. In our opinion, in this study, academic economists emphasize that the stabilization of inflation and wages, therefore, requires large expenditures.

Conclusions and Suggestions

Based on the results of the study of the theoretical foundations and foreign experience in the use of monetary policy instruments, the following scientific conclusion was formulated:

1. Monetary policy, as an integral and integral part of economic policy, serves as the most important lever for regulating the economy in market conditions. One of the main conditions for this is the regulation of the volume of money supply in accordance with the needs of the economy in money, which involves the implementation of measures to prevent the appearance of excess money supply in circulation and possible inflation.
2. The main goal for the central banks of all countries is to ensure price stability at the lowest and most stable level, and the main tool for achieving this goal is to regulate the money supply, maintaining equality in the supply and demand for money.
3. Based on the functions and powers, the central bank is also responsible for macroeconomic stabilization of the economy, real economic growth and low unemployment. Therefore, to ensure price stability, Central banks use monetary policy tools and influence the state of the money market, the liquidity of the banking system and the economy as a whole.
4. It is known from world economic practice that two factors mainly influence the demand and supply of money: the nominal volume of GDP and the interest rate. According to these factors, various monetary and macroeconomic analyzes were carried out by scientists economists of all countries and appropriate conclusions were made, as well as proposals.
5. Monetarism is based on the notion that a market economy is an internal stable system. All sorts of negative phenomena that arise in it are the result of improper state intervention. Therefore, it is necessary to minimize such interference. Also, there is a stronger relationship between money supply and nominal GDP than the relationship between investment and GDP.
6. Models of macroeconomic equilibrium describe the markets for goods and services or the “real” sector of the economy without taking into account monetary factors. Inclusion in the analysis of the general equilibrium of the money market is possible using the IS - LM model, which, although somewhat complicating the analysis, at the same time provides great opportunities for studying the interaction of commodity and money markets.
7. The main task of developing and implementing monetary policy by the central bank is to achieve the maximum possible equilibrium of the money market and maintain a balance between the amount of money in circulation and the need for it. In our opinion, the problem of economic cycles identified in

ISSN: 2776-1010 Volume 3, Issue 3, Mar, 2022

economic theory is of independent importance and is related to issues of macroeconomic and financial balance.

8. Monetary regulation has a significant impact on economic cycles and is largely determined by them, but this influence is manifested most often already at those stages of the economic cycle that require some government intervention, including the central bank. By reducing inflation, the Central Bank creates a condition for preventing a decline in production and revitalizing the economy, increasing the confidence of business entities and the population in the banking system, as well as increasing savings and economic activity in the country.

Literatura/Reference

1. Decree of the President of the Republic of Uzbekistan dated January 9, 2018 No. UP-5296 “On measures to radically improve the activities of the Central Bank of the Republic of Uzbekistan”. www.lex.uz - National database of legislation of the Republic of Uzbekistan.
2. Friedman M. If money spoke... Per. from English. - M.: Delo, 1999. - S. 132-134. Lavrushin O.I., Banking management. Textbook. - M.: KNORUS, 2010. - 560 pages.
3. Lavrushin O.I., Banking management. Textbook. - M.: KNORUS, 2010. - 560 pages.
4. Itai Agur, Maria Demertzis. Will macroprudential policy counteract monetary policy’s effects on financial stability? North American Journal of Economics and Finance 48 (2019) 65-75.
5. Martin Bodenstein, Junzhu Zaho. Employment, wages and optimal monetary policy. Journal of Monetary Economics. February 14, 2019.
6. Mishkin F.S. Economic theory of money, banking and financial markets. Per. from English. – M.: I.D. LLC "Williams", 2013. - 880s.
7. Vakhabov A.V. Ensuring the stability of the banking system in a crisis//Economic Bulletin of Uzbekistan. - Tashkent, 2009. - No. 4 - 24-p.;
8. Omonov A.A., Karaliev T.M. Money, credit and banks. Textbook. - Tashkent: Iqtisod-Moliya, 2012. - 324 p.;
9. Namozov O.Sh. Monetary Policy in a Transitional Economy: Conceptual Approaches and Program Directions. Abstract diss. on sois. uch. Art. Dan. - Tashkent, 2001. - 39 p.;
10. Bobakulov T.I. Problems of ensuring the stability of the national currency and ways to solve them. Abstract diss. on sois. uch. Art. Doctor of Economics. - Tashkent: BFA, 2008. - 33 p.
11. Shomurodov R.T. Ways to improve monetary instruments in the banking system. Abstract diss. on sois. uch. Art. Candidate of Economics. - Tashkent, 2004. - 19 p.;
12. Itai Agur, Maria Demertzis. Will macropreduntial policy counteract monetary policy’s effects on financial stability? North American Journal of Economics and Finance 48 (2019) 65-75.
13. Martin Bodenstein, Junzhu Zaho. Employment, wages and optimal monetary policy. Journal of Monetary Economics. February 14, 2019.